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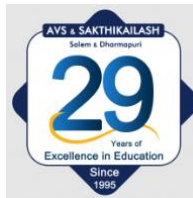
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Study Material

Paper Name	:	PRINCIPLES OF MANAGEMENT
Paper Code	:	23UBXC001
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Staff In charge	:	G. ELAVARASI

PRINCIPAL

PRINCIPLES OF MANAGEMENT

UNIT – I

Management Importance Definition Nature and Scope of Management Process- Role and Functions of a Manager Levels of Management Development of Scientific Management and other Schools of thought and approaches.

UNIT – II

Planning: Nature Importance Forms Types Steps in Planning Objectives Policies Procedures and Methods - Natures and Types of Policies Decision-making- Process of Decision making Types of Decision

UNIT – III

Organizing Types of Organizations Organization Structure Span of Control and Committees Departmentalization Informal Organization Authority Decentralization Delegation Difference between Authority and Power Responsibility.

UNIT – IV

Direction Nature and Purpose. Co- ordination Need, Type and Techniques and requisites for excellent Co-ordination Controlling Meaning and Importance Control Process.

UNIT – V

Definition of Business ethics Types of Ethical issues -Role and importance of Business Ethics and Values in Business Ethics internal Ethics External Environment Protection Responsibilities of Business

TEXT BOOKS

1. C.B. Gupta, Business Organization & Management, Sultan Chand & Sons.
2. L.M. Prasad, Principles of Management, Sultan Chand & Sons.
3. Dr.V.R.Palanivelu, Principles of Management, Himalaya publishing House, Mumbai

REFERENCE BOOKS

1. DingarPagare, Business Management, Sulthan Chand & Sons
2. Tripathi P.C. & P.N. Reddy, Principal of Management, TMH
3. Bhusan Y.K. Business Organization and Management, McGraw Hill
4. Koontz and O.Donnel, Essentials of Management, McGraw Hill
5. Ramasamy. T, Principles of Management, Macmillan India Ltd.,
6. Basu, Organisation& Management, S. Chand
7. M.C. Shukla, Business Organisation and Management, S.Chand
8. RustomDavar, Management Process, Progressive Corporation Pvt., Ltd
9. J. Jayashankar, Principal of Management, Margham Publications.
10. Dr.RupaGunaseelan& Dr. Kulandaisamy, Vikas Publishing House,

MODEL QUESTION PAPER

TIME : 3 HOURS

MAXIMUM : 75 MARKS

PART – A (15 x 1 = 15 Marks)

[Answer all Questions]

QUESTION NO :1,2,3. From Unit – I

QUESTION NO :4,5,6 From Unit – II

QUESTION NO :7,8,9 From Unit – III

QUESTION NO :10,11,12. From Unit – IV

QUESTION NO :13,14,15. From Unit – V

PART – B (2 x 5 = 10 Marks)

[Answer any TWO questions]

QUESTION NO :16. FROM UNIT 1

QUESTION NO :17. FROM UNIT -11

QUESTION NO :18. FROM UNIT -111

QUESTION NO :19. FROM UNIT - IV

QUESTION NO :20. FROM UNIT - V

PART – C (5 x 10 = 50 Marks)

[Answer all question]

QUESTION NO :21 (a) or (b) FROM UNIT 1

QUESTION NO : 22 (a) or (b) FROM UNIT -11

QUESTION NO : 23 (a) or (b) FROM UNIT -111

QUESTION NO : 24 (a) or (b) FROM UNIT - IV

QUESTION NO : 25 (a) or (b) FROM UNIT - V

UNIT-I

DEFINITION

According to **Harold Koontz**, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals”.

According to **F W Taylor** ,“Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.”

CONCEPTS OF MANAGEMENT

The term management has been interpreted in several ways; some of which are given below:

Management as an Activity

Management is an activity just like playing, studying, teaching etc. As an activity management has been defined as the art of getting things done through the efforts of other people. Management is a group activity wherein managers do to achieve the objectives of the group. The activities of management are:

- Interpersonal activities

- Decisional activities
- Informative activities

Management as a Process

Management is considered a process because it involves a series of interrelated functions. It consists of getting the objectives of an organisation and taking steps to achieve objectives. The management process includes planning, organising, staffing, directing and controlling functions.

Management as a process has the following implications:

- (i) *Social Process*: Management involves interactions among people. Goals can be achieved only when relations between people are productive. Human factor is the most important part of the management.
- (ii) *Integrated Process*: Management brings human, physical and financial resources together to put into effort. Management also integrates human efforts so as to maintain harmony among them.
- (iii) *Continuous Process*: Management involves continuous identifying and solving problems.
- (iv) *Interactive process*: Managerial functions are contained within each other. For example, when a manager prepares plans, he is also laying down standards for control.

Management as an Economic Resource

Like land, labour and capital, management is an important factor of production. Management occupies the central place among productive factors as it combines and coordinates all other resources.

Management as a Team

As a group of persons, management consists of all those who have the responsibility of guiding and coordinating the efforts of other persons. These persons are called as managers who operate at different levels of authority (top, middle, operating). Some of these managers have ownership stake in their firms while others have become managers by virtue of their training and experience. Civil servants and defence personnel who manage public sector undertakings are also part of the management team. As a group managers have become an elite class in society occupying positions with enormous power and prestige.

Management as an Academic Discipline

Management has emerged as a specialised branch of knowledge. It as is evident from the great rush for admission into institutes of management. Management offers a very rewarding and challenging career.

Management as a Group

Management means the group of persons occupying managerial positions. It refers to all those individuals who perform managerial functions. All the managers, e.g., chief executive (managing director), departmental heads, supervisors and so on are collectively known as management. For example, when one remarks that the management of Reliance Industries Ltd. is good, he is referring to the persons who are managing the company.

NATURE AND CHARACTERISTICS OF MANAGEMENT

The salient features which highlight the nature of management are as follows:

- (i) *Management is goal-oriented:* Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the established goals are achieved. Thus, management is purposeful.
- (ii) *Management is universal:* Management is an essential element of wherever two or more persons are engaged in working for a common goal, management is necessary. All types of organisations, e.g., family, club, university, government, army, cricket team or business, require management. Thus, management is a pervasive activity. The fundamental principles of management are applicable in all areas of organised effort. Managers at all levels perform the same basic functions.
- (iii) *Management is an Integrative Force:* The essence of management lies in the coordination of individual efforts into a team. Management reconciles the individual goals with organisational goals. As a unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.
- (iv) *Management is a Social Process:* Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Appley, "Management is the development of

people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process”.

(v) *Management is multidisciplinary:* Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.

(vi) *Management is a continuous Process:* Management is a dynamic and an on-going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.

(vii) *Management is Intangible:* Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.

(viii) *Management is an Art as well as Science:* It contains a systematic body of theoretical knowledge and it also involves the practical application of such knowledge. Management is also a discipline involving specialised training and an ethical code arising out of its social obligations.

SCOPE OF MANAGEMENT

1. Career Opportunities

Graduates with a BBA in management have access to numerous career paths, including but not limited to:

- **Business Analyst:** Analyzing data to help companies make informed business decisions.
- **Operations Manager:** Overseeing production, manufacturing, and day-to-day operations.
- **Human Resource Manager:** Managing recruitment, training, employee relations, and performance management.
- **Marketing Manager:** Developing marketing strategies and managing marketing campaigns.
- **Sales Manager:** Leading sales teams and strategizing to meet sales targets.

- **Financial Analyst:** Analyzing financial data and assisting in investment decisions.
- **Entrepreneur:** Starting and managing your own business.

2. Industries and Sectors

BBA management graduates can work across various industries such as:

- **Banking and Finance:** Roles in investment banking, financial planning, and corporate finance.
- **Consulting:** Providing strategic advice to improve business performance.
- **Retail and Consumer Goods:** Managing retail operations and consumer product marketing.
- **Technology and IT:** Project management, product development, and IT service management.
- **Healthcare:** Hospital administration, healthcare consulting, and healthcare management.
- **Hospitality and Tourism:** Managing hotels, resorts, and tourism services.
- **Manufacturing:** Overseeing production processes and supply chain management.

3. Skills Development

A BBA in management helps develop various critical skills:

- **Leadership:** Leading teams, managing projects, and making strategic decisions.
- **Communication:** Effective written and verbal communication, negotiation, and interpersonal skills.
- **Analytical Thinking:** Problem-solving, data analysis, and critical thinking.
- **Financial Acumen:** Understanding financial statements, budgeting, and financial planning.
- **Strategic Planning:** Long-term business planning and strategic decision-making.
- **Technical Proficiency:** Familiarity with business software, data analysis tools, and project management software.

4. Further Education

A BBA in management is a strong foundation for advanced studies:

- **MBA (Master of Business Administration):** Specializing further in areas like finance, marketing, operations, or human resources.

- **Professional Certifications:** Such as PMP (Project Management Professional), CFA (Chartered Financial Analyst), or SHRM (Society for Human Resource Management).

5. Global Opportunities

The skills and knowledge acquired in a BBA management program are applicable globally, allowing graduates to seek employment opportunities internationally.

6. Entrepreneurial Ventures

A management specialization equips students with the knowledge and skills to start and manage their own businesses, from conceptualizing business ideas to executing business plans and managing growth.

Conclusion

The scope of management in a BBA program is vast and varied, providing graduates with the flexibility to pursue careers in multiple industries, develop essential business skills, and explore further educational opportunities. The versatility of the degree makes it a valuable and dynamic option for those interested in a career in business and management.

OBJECTIVES OF MANAGEMENT

The objectives of management are narrated as under.

(i) *Organisational objectives:* Management is expected to work for the achievement of the objectives of the particular organisation in which it exists. Organisational objectives include: (a) Reasonable profits so as to give a fair return on the capital invested in business (b) Survival and solvency of the business, i.e., continuity.

(c) Growth and expansion of the enterprise

(d) Improving the goodwill or reputation of the enterprise.

(ii) *Personal objectives:* An organisation consists of several persons who have their own objectives. These objectives are as follows:

(a) Fair remuneration for work performed

(b) Reasonable working conditions

(c) Opportunities for training and development

(d) Participation in management and prosperity of the enterprise (e) Reasonable security of service.

(iii) *Social objectives*: Management is not only a representative of the owners and workers, but is also responsible to the various groups outside the organisation. It is expected to fulfil the objectives of the society which are given below:

(a) Quality of goods and services at fair price to consumers.

(b) Honest and prompt payment of taxes to the Government.

(c) Conservation of environment and natural resources.

(d) Fair dealings with suppliers, dealers and competitors.

(e) Preservation of ethical values of the society.

ROLE AND IMPORTANCE OF MANAGEMENT

Management is indispensable for the successful functioning of every organisation. It is all the more important in business enterprises. No business runs in itself, even on momentum. Every business needs repeated stimulus which can only be provided by management.

According to Peter Drucker, “management is a dynamic life giving element in an organisation, without it the resources of production remain mere resources and never become production”.

The importance of management has been highlighted clearly in the following points:

(i) *Achievement of group goals*: A human group consists of several persons, each specialising in doing a part of the total task. Each person may be working efficiently, but the group as a whole needs coordination among the members of the group. Management creates team-work and coordination in the group. He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard.

(ii) *Optimum utilisation of resources*: Managers forecast the need for materials, machinery, money and manpower. They ensure that the organisation has adequate resources and at the same time does not have idle resources. They create and maintain an environment conducive to highest

productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employers so that they can make the best use of the available resources.

(iii) *Minimisation of cost:* In the modern era of cut-throat competition no business can succeed unless it is able to supply the required goods and services at the lowest possible cost per unit. Management directs day-to-day operations in such a manner that all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be competent to face competitors and earn profits.

(iv) *Survival and growth:* Modern business operates in a rapidly changing environment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimise the risks and maximise the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.

(v) *Generation of employment:* By setting up and expanding business enterprises, managers create jobs for the people. People earn their livelihood by working in these organisations. Managers also create such an environment that people working in enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.

(vi) *Development of the nation:* Efficient management is equally important at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on of its resources. Capital investment and import of technical knowhow cannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why management is regarded as a key to the economic growth of a country.

MANAGEMENT PROCESS

Process means a series of operations or actions necessary to achieve certain results. A process has a beginning and a termination.

Process consists of some distinct stages or steps which take place in a sequential manner. The process of management is characterized by the following features;

- ❖ Continuity
- ❖ Circular
- ❖ Social
- ❖ Composite

1. Continuity

Management is a continuous process. This process is analyzed into several elements like planning, organizing, staffing, directing, and controlling. The sequence may begin with any function and the entire process cycle may be completed. The management cycle is never-ending and is repeated again.

2. Circular

The managerial functions are contained within each other. For example planning, organizing, directing, and controlling all may occur within the planning process. All functions may be considered as sub-functions of each other.

3. Social

Management is a human and social process and not a mechanical one. It influences significantly the people inside and outside an organization and the society as a whole. A manager while taking decisions must remember the likely impact of his decisions on society.

4. Composite

All the managerial functions must be considered in their totality because management process is an organic and integrated whole. All the functions contribute to the whole and derive strength from each other.

PRINCIPLES OF MANAGEMENT

Henry Fayol list the principles of management are as follows;

1. Division of work

Division of work makes a man a specialist. Division of work helps to specialist in an activity which increases the output with perfection. It involves waste of time.

According to Hendry Fayol, division of work is applied to both technical and managerial kinds of work.

2. Authority and Responsibility

Management is getting things done by others. A superior gives direction to his sub-ordinates to perform the job.

Then the supervisor may exercise his authority. Authority is closely connected with responsibility.

Responsibility is essential to perform a job correctly.

3. Discipline

Discipline is the respect for agreement which are directed at achieving obedience, application, energy and outwards marks of respect.

Discipline depends upon good supervision, clear and fair agreements and judicious application of penalties.

4. Unity of command

A subordinate has only one superior. If not so, the subordinate does not perform any job perfectly. Each subordinate is responsible to only one superior.

5. Unity of Direction

Each group of activities having the same objective must have one head and one plan. The activities of a group are assigned to a person who is said to be a manager. Manager is expected to look after all the activities of a particular group.

6. Subordination of individual interest to group interest

An individual has his own interest. The organization also has its own interest. The interest of an organization is termed as group interest.

In no way, the individual interest should dominate the group interest.

7. Remuneration of personnel

The amount of remuneration and the methods of payment should be just and fair and should provide maximum possible satisfaction to both employees and employers.

8. Centralisation

Increase the importance of superior's role in centralization, decrease the importance of superior's role in decentralization.

The centralization or decentralization of authority depends upon the personnel character of the superior, his morality, reliability of resourcefulness.

9. Scalar chain

Scalar chain refers to the chain of superiors ranging from the highest authority to the lowest level in the organization. The communication flows from top to bottom. For example, A is the superior and has three subordinates B, C and D. A wants to communicate anything to D; it should be passed via B and C.

D wants to communicate anything to A, it should be passed via C and B. This is called scalar chain.

10. Order

The principle is concerned with the arrangement of things and the placement of people. It is applied to both material and men. In material order there should be a place for everything, and everything should be in its proper place.

11. Equity

Equity implies that employees should be treated with justice and kindness. All the employees of the organization are treated equally by the managers.

Equity helps to correct smooth relations between management and workers which are essential for successful functioning of every enterprise.

12. Stability of tenure of personnel

The security of job is an essential one. In security of job results in the higher labour turnover? An employee has committed a mistake; no employee should be removed from service.

The development of any organization depends solely on the sincerity of laborers.

13. Initiative

Employees at all levels should be given the opportunity to take initiative and free to express their views or opinions in the execution of the work.

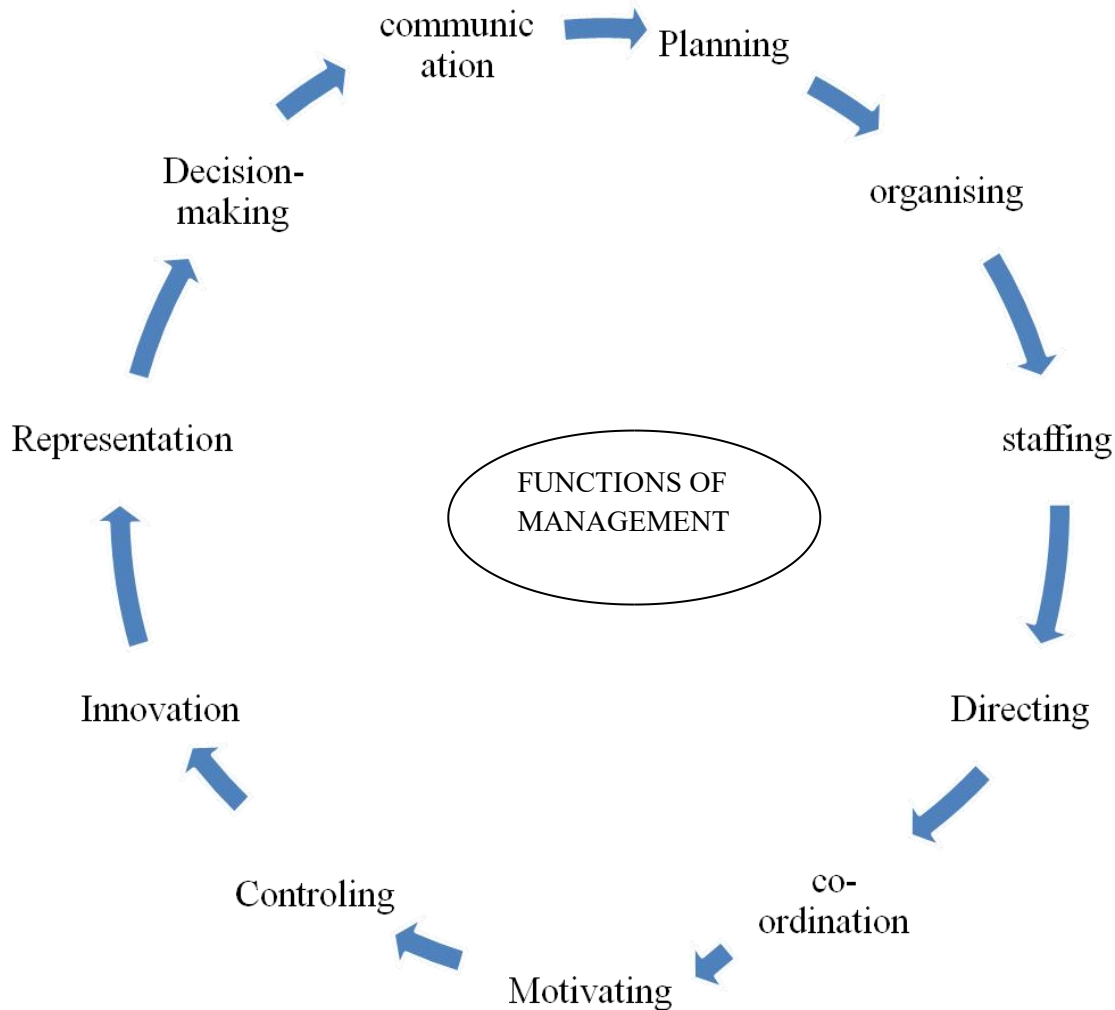
It develops the interest of employees in their jobs and provides job satisfaction to them.

14. Esprit De Corps

Union is strength and unity in the staff is the foundation of success in any organization. If there is any misunderstanding among members, the management should take corrective steps to remove them.

The management should maintain team spirit and co operation among employees.

FUNCTIONS OF MANAGEMENT



1. Planning

Planning is the primary function of management. Nothing can be performed without planning.

The organization plans describes, what is to be done, when it is to done, how it is to be done, and whom it is to be done. **2. Organising**

Organising is the distribution of work in group wise or section wise for effective performance.

Organisation provides all facilities which are necessary to perform the work. The organization divides the total work and co-ordinates all the activities by authority relationship. **3. Staffing**

Staffing refers to placement of right person in the right jobs. Staffing includes selection of right persons, training to those needy persons, promotion of best persons, retirement of old persons, performance appraisal of all personnel, and adequate remuneration of personnel.

4. Directing

The actual performance of a work starts with the function of direction. Direction includes guidance, supervision and motivation of employees.

Directing is the managerial function of guiding, supervising, motivating and leading people towards the attainment of planned targets of performance.

5. Co-ordination

Co ordination is the process which ensures smooth interplay of the functions of management.

Co ordination implies an arrangement of group efforts to ensure unity of action in the accomplishment of common objectives.

6. Motivating

The goals are achieved with the help of motivation. The workers expect favourable climate conditions to work, fair treatment, monetary or non-monetary incentive, effective communication and gentleman approach.

Motivation helps to increase the speed of performance of a work and developing willingness on the part of workers.

7. Controlling

The control is very easy whenever the organization has a fixed standard. A good system of control has the characteristics of economy, flexibility, understanding and adequate to organization needs.

8. Innovation

Innovation includes developing new materials, new products, new techniques in production, new package, and new design of a product and cost reduction.

9. Representation

A manager has to act as a representative of company. Manager dealings with customers, suppliers, government officials, banks, financial institutions, trade unions.

Manager has to maintain good relationship with others.

10. Decision-Making

Decision-making is also one of the functions of the management. The management executive takes a number of decisions every day. A decision may be a direction to others to do or not to do.

The success of management depends upon the quality of decision.

11. Communication

Communication is the transmission of human thoughts, views or opinions from one person to another person.

Communication helps the regulation of job and co-ordinate the activities.

MANAGEMENT THOUGHTS FREDERICK WINSLOW TAYLOR [1856-1916]

[SCIENTIFIC MANAGEMENT]

F.W.Taylor is known as the “father of scientific management”. He was born in 1856. He started his career as an apprentice in Philadelphia in 1875.

F.W.Taylor had wide-range experience in three companies: Midvale Steel works, Simonds Rolling Machines and Bethlehem steel co.

He found that there was inefficiency and wastage. Workers were performing much below their capacity. Trial and error or rule of thumb methods were used.

F.W.Taylor to develop scientific methods to replace the trial and error approach, he conducted several experiments e.g. pig iron handling, shoveling and metal cutting experiments, etc.

Taylor defined management as, “the art of knowing exactly what you want men to do and seeing that they do it in the best and cheapest way”.

Taylor’s theory came to be called “scientific management”. The objective of management should be securing the maximum prosperity for both the employer and the employees.

PRINCIPLES OF SCIENTIFIC MANAGEMENT

F.W.Taylor list the principles of management are as

1. Science not rule of thumb

The replacement of old method of doing work scientifically. The nature of work performed by each worker should be clearly determined.

2. Harmony in Group Action

Dissatisfaction of any worker is to be avoided in the group action. The dissatisfaction is eliminated through scientific selection, training and strategic placing of workers.

3. Co-operation

Workers should help the management to get larger profits, better quality products and lower costs of production.

Management should give fair wages to workers recognize the performance of work.

4. Maximum Output

Maximum output is achieved through division of work and assumption of responsibilities by the management.

Maximum output results in the increasing profit to the management and wages, bonus to the workers.

Management should provide standard materials tools and working conditions to perform the work economic and efficiency.

5. Improvement of Workers

The management should find out the physical, educational and psychological requirements of each job and find suitable persons to each job. Workers are scientifically selected and provided with the job training.

CRITICISM OF SCIENTIFIC MANAGEMENT

Some of the criticisms of scientific management are as,

1. Mechanistic approach

The main criticism is that scientific management ignores the human element in production. The workers treated as a factor of production and not as human beings.

2. Unrealistic Assumptions

Scientific management is based on the assumption that people are rational. They motivated by material and gains. Workers also want job satisfaction, participation and recognition.

3. Narrow View

Scientific management is quite limited in scope. Scientific management described as a theory of industrial engineering. It does not deal with management of the total organization.

4. Impracticable

Many ideas of Taylor are said to be infeasible in practice. Functional foremanship is likely to create problems because it violates the principle of unity of command.

5. Exploitation of labour

Increasing efficiency, workers were forced to speed up affecting their physical and mental health.

Specialization and standardization make the job dull.

HENRY FAYOL'S 14 PRINCIPLES OF MANAGEMENT:

The principles of management are given below:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
2. **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-

obedience or indiscipline. No organization can work smoothly without discipline – preferably voluntary discipline.

4. **Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior (boss).

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

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

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

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

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

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

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

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

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

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

FAYOL'S CONTRIBUTION TO MANAGEMENT

Fayol's contribution to management can be classified into four categories,

1. Classification of Business Activities

Henry Fayol classified all the business activities into six functions, they are,

- (i) Technical (production or manufacturing)
- (ii) Commercial (buying, selling and exchange)
- (iii) Financial (optimum use of capital)
- (iv) Security (protection of property and persons)
- (v) Accounting (record keeping, Costing, Statistics)
- (vi) Managerial (planning, organizing, commanding, coordinating, and controlling)

2. Elements of Management

Fayol classified the elements or functions of management as follows;

- (i) Planning
- (ii) Organising
- (iii) Commanding
- (iv) Coordinating
- (v) Controlling

3. Universal principle of management

Fayol gave fourteen basic principles of management. The principles are, Division of work, Authority and Responsibility, Discipline, Unity of command, Unity of direction, Subordination of individual interest to group interest, Remuneration of personnel, Centralization, Scalar chain, Order, Equity, Stability of tenure of personnel, Initiative, Esprit De Corps.

4. Managerial quantities and Training

Fayol identified the following qualities of an effective manager;

(i)Physical (health, vigor and address)

(ii)Mental (ability to understand and learn, judgement and adaptability)

(iii)Moral (energy, firmness, willingness to accept responsibility, initiative, loyalty, fact and dignity)

(iv)General education (general acquaintance with matters not, belonging exclusively to the function performed)

(v)Special knowledge (peculiar to the function being performed)

(vi)Experience (knowledge arising from work proper)

GEORGE ELTON MAYO [1880-1949]

Elton mayo was a professor of industrial psychology at the Harvard Business School. He published several books and papers E.g. The Human problem of an Industrial Civilisation(1933), Management and Morale(1941), Training for Human Relations (1949).

He served as the leader of the team which carried out the famous Hawthorne Experiments. Hawthorne Experiments conducted in the Hawthorne plant of Western Electric company in Chicago (USA) from 1927 to 1932

HAWTHORNE EXPERIMENTS CLASSIFIED INTO FOUR STAGES;

1. Illumination Experiments
2. Test Room Experiments
3. Mass interviewing programme
4. Bank wiring observation room study.

1. Illumination Experiments

Workers were divided into two groups. One group was placed in a room where lighting remained constant. Another group was placed in a different room where lighting was varied.

Hypothesis of scientific management, production increased in both the rooms.

2. Relay Assembly Test Room Experiments

This experiment to find out the relationship between working conditions and productivity. A small group of six female workers was asked to work in a separate room. The course of experiments serious changes as piece work, rest period, shorter working hours. Giving opportunity to express their view points and concerns to the supervisor. The researcher concluded that productivity increased due to a change in the girls attitudes toward work and their work groups.

3. Mass Interviewing Programme

The researcher conducted thousands of interviews to determine the attitudes of employees towards their job working conditions, supervision and the company. Interviews were conducted through direct questioning.

The main findings of the programme are as;

- (a) Male workers were more economically oriented than the female workers.
- (b) A satisfaction or dissatisfaction of an employee comes from his social status.
- (c) The personal situation of the worker is arising out of mode of arrangement of his sentiments, desires and interest.
- (d) A social demand for a worker is influenced by gaining experience both inside and outside the working place.
- (e) The individual behaviour was being influenced by group behaviour.

4. Bank Wiring Observation Room Experiments

This experiment was conducted between 1931 and May 1932. A group has been formed to conduct this experiments. It consisted of fourteen male workers.

The main aim of this experiment was to analyse how a group could influence a worker to restrict his output.

Mayo derived the following conclusions from Hawthorne Experiments;

1. Physical factors do not materially influence workers behaviour and performance.
2. Psychological and social factors like sense of security, recognition, belonging influence on productivity and performance.

3. Social norms and informal group determine the behaviour and efficiency of workers.
4. An organization is a social system much more than a formal arrangement or structure of functions.
5. A worker is motivated solely by pay. He/she responds to the total work situation.

APPROACHES TO MANAGEMENT

Modern management has developed through several stages or approaches. The approaches are as;

1. Classical Approach
2. Behavioural Approach
3. Management science Approach
4. Systems Approach
5. Contingency Approach

1. CLASSICAL APPROACH

The classical approach is based on the following points are as;

- (a) Management is a process consisting of interrelated functions performed to achieve the desired goals.
- (b) The experience of managers in different organization, principles or guidelines can be derived.
- (c) The principles which can be applied in different organization to improve managerial efficiency.
- (d) managers can developed through formal education and training.
- (e) People are motives mainly by incentives and principles.

2. BEHAVIOURAL APPROACH

Behavioural science approach involves the application of knowledge drawn from behavioural sciences (psychology, sociology, etc) to managerial problems.

The main propositions of this approach are as;

- (a)The attributes and performance of an employee are dominated by the social group.
- (b)Social and psychological incentives exercise a greater influence on employee motivation than working conditions and economic factors.
- (c)Management must understand and develop interpersonal relations among his subordinates.
- (d)Management requires social skills to make employees feel a part of organization.
- (e)Employees are capable of self-direction and control.

3. MANAGEMENT SCIENCE APPROACH

This approach is known by several names, decisions theory approach/ mathematical approach, quantitative approach, operations research approach, etc.

THE FEATURES OF MANAGEMENT SCIENCE APPROACH ARE AS;

(a)Rational decision making

An organization is considered a decision-making unit and main job of a manager is to make decisions and solve problems.

(b)Mathematical models

A model is a simplified representation of a real life situation. It utilizes mathematical symbols and relationship.

(c)Computer applications

The use of computers has been the driving force in the development of the management science approach.

(d)Evaluation criteria

Management science approach is on scientific decision-making, models are evaluated for effectiveness like cost reduction, return on investment, schedules, etc.

4. SYSTEMS APPROACH

The systems approach to management was developed in 1950s. The features of the systems approach are as,

(a) An organization is a system consisting of many interrelated and interdependent parts or subsystems.

(b) The system of organization draws inputs (energy, information, materials, etc) from its environment.

(c) Every system is a part of an environment.

(d) Management is expected to regulate and adjust the system to secure better performance.

5. CONTINGENCY APPROACH

The contingency approach to management from the real experience. The idea of this approach is that no management technique appropriate in all situations.

The contingencies are related to the external and internal environments of an organization. These include;

(a) Technical constraints

Nature and types of the process used to produce goods and services.

(b) Task Constraints

Nature of tasks performed by individual workers.

(c) People constraints

Types of individual employed and their levels of competence.

QUESTION BANK

PART - A

1. Which of the following is not a function of management?

- a) planning
- b) staffing
- c) co-operation
- d) controlling

2. Management is

- a) an art
- b) a science
- c) both art and science
- d) neither

3. Policy formulation is the function of

- a) top level management
- b) middle level management
- c) operational management
- d) All of the above

4. Find the odd one out

- a) board of directors
- b) chief executive
- c) foremen
- d) shareholders

5. How are principles of management formed

- a) In a laboratory
- b) By experiences of management
- c) By experiences of customers
- d) By propagation of social scientists

6. Henry Fayol was a

- a) Social scientists
- b) Mining engineer
- c) Accountant
- d) Production engineer

7. Which of the following statement best described the principle of 'Division of work'

- a) work should be divided into small tasks
- b) labour should be divided
- c) resource should be divided among jobs
- d) it leads to specialisation

8. Which of the following is Not a principle of management given by Taylor

- a) Science, not rule of Thumb
- b) Functional foremanship
- c) Maximum ,not restricted output
- d) Harmony not discord

9. The principals of management are significant because of

- a) increase in efficiency
- b) Initiative
- c) optimum utilisation of resources
- d) Adaptation of changing technology

10. Management should find ' One best way ' to perform a task. Which technique of Scientific management is defined in this sentence a) Time study

- b) Motion study
- c) Fatigue study
- d) Method study

11. Which of the following best describe 'Mental revolution '

- a) it implies change of attitude
- b) the management workers should not play the game of one upmanship
- c) both management and workers require each other
- d) workers should be paid more wages

12. Observe the following management principles and pick the odd one out.

Justify your answer

- a) unity of command
- b) unity of direction
- c) maximum output
- d) equity

13. Which of the following is not the functional areas of management ?

- a) Production Management
- b) Marketing Management

- c) Personnel Management
- d) Information Management

14. Which of following is not among the levels of management ?

- A) Top level management
- B) Intermediate Level
- C) Middle level management
- D) Lower level management

15. Which scholar's definition on management is " Management is the art of getting things done through and with people in formally organised groups".?

- A) Harold Koontz
- B) J.N. Schulze
- C) S. George
- D) Henry Fayol

PART – B

5 MARKS

1. Give the brief account of the major functions of management.(NOV 2009/Nov 2015/Nov 2014/Apr 2016)
2. Enumerate the main objectives of business.(NOV 2009)
3. Explain the various basic principles of management.(Apr 2011)
4. What is the behavior scientist's contribution to management thought?(Apr 2016)
5. Explain the characteristics of business.(Nov 2015)(May 2018)

6. What are the contributions of peter Drucker?(Nov 2015)
7. Describe the four types of industry.(Apr 2016)
8. Explain the contributions of FW Taylor to the management thoughts. (May 2018)

PART – C

10 MARKS

1. Enumerate the contributions of F.W.Taylor for management thought(NOV 2009)
2. Explain the various stages in the history of management thought.
3. Briefly explain the various approaches to management.(APR 2013)
4. Explain the various basic principles of management.(Apr 2011/Nov 2015)
5. Write short note on : a) Peter F Drucker, b) Mary Parker Follet, c) Henry Fayol
6. Describe the contribution of Elton Mayo to the development of management thought.(Nov 2015)
7. Illustrate the various principles of management. (May 2018)
8. Discuss the contribution of Henry Fayol to the field of management. (April 2019)

UNIT – II

MEANING OF PLANNING

Planning is the important and basic function of management. Planning is an intellectual process of thinking resorted to decide a course of action which helps to achieve the pre-determined objectives of the organization in future.

DEFINITION OF PLANNING

M.S. Hurely, “planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures, and programmes, from among alternatives.

IMPORTANCE OF PLANNING

The planning function is very important due to the following reasons;

1. To manage by objective

All the activities of an organization are designed to achieve the framed objectives. Planning makes the organization focus on the objective for early achievement.

2. Convert uncertainty into certainty

Future is full of uncertainties. The uncertainty may be predicted through forecasting. The planning provides necessary provision to face the uncertainties.

Planning evaluates the alternative course of action for the continuous growth of the organization.

3. Help in co-ordination

The co-ordination is obtained by the management through planning, well-published policies, programmes and procedures.

Planning also helps the management get co-ordination.

4. Economy in operation

Planning selects any one of the available alternatives which help to produce the best results at minimum costs.

5. Tackling increasing complexities of business

There is need for many people with different qualifications to run a business. The management to plan the business activities clearly as to who is to do, what is to be done, where is to be done, when it is to be and how it is to be done.

6. Effective control

Control is necessary only when there is a deviation in the actual performance from the planned performance. Planning without control is useless and control without planning is impossible.

7. Effective utilization of resources

Planning involves deciding in advance of the business activities. It leads to effective utilization of resources at the cheapest and in the best manner.

8. Avoiding business failures

Planning includes the selection of best objectives, conversion of uncertainty into certainty, economy in operation, co-ordination, facing the complexities, effective control and effective utilization of resources and avoiding business failures.

Types of Planning

1. Strategic Planning:

- **Purpose:** Long-term planning that focuses on the overall direction of an organization.
- **Scope:** Broad and includes setting objectives, determining resources, and establishing policies.
- **Timeframe:** Usually 3-5 years or longer.

2. Tactical Planning:

- **Purpose:** Short-term planning that translates strategic plans into specific actions.
- **Scope:** More focused, dealing with specific parts of the organization.
- **Timeframe:** 1-3 years.

3. Operational Planning:

- **Purpose:** Day-to-day planning that deals with the execution of tactical plans.
- **Scope:** Very detailed, including schedules and specific tasks.
- **Timeframe:** Monthly, weekly, or daily.

4. **Contingency Planning:**

- **Purpose:** Planning for unexpected events or emergencies.
- **Scope:** Identifies potential risks and creates action plans to mitigate them.
- **Timeframe:** As needed, with no fixed duration.

5. **Project Planning:**

- **Purpose:** Planning for specific projects to achieve particular goals.
- **Scope:** Includes defining project objectives, tasks, timelines, and resources.
- **Timeframe:** Varies depending on the project.

Steps of Planning

1. **Define Objectives:**

- Clearly state what you want to achieve.
- Ensure objectives are specific, measurable, achievable, relevant, and time-bound (SMART).

2. **Analyze Current Situation:**

- Assess the current status, resources available, and external environment.
- Conduct SWOT analysis (Strengths, Weaknesses, Opportunities, Threats).

3. **Identify Resources:**

- Determine what resources (time, money, personnel) are needed.
- Evaluate the availability of these resources.

4. **Develop Alternatives:**

- Brainstorm different ways to achieve the objectives.
- Evaluate the pros and cons of each alternative.

5. **Select the Best Alternative:**

- Choose the most feasible and effective course of action.
- Consider factors like cost, time, impact, and risk.

6. **Create Action Plans:**

- Develop detailed plans that outline specific tasks, responsibilities, and timelines.
- Assign roles and allocate resources.

7. **Implement the Plan:**

- Execute the action plans according to the schedule.
- Ensure that all team members understand their roles and responsibilities.

8. **Monitor and Control:**

- Track progress regularly to ensure the plan is on course.
- Use key performance indicators (KPIs) to measure success.

9. Review and Revise:

- Periodically review the plan's effectiveness.
- Make adjustments as necessary to address any issues or changes in the environment.

10. Feedback and Evaluation:

- Gather feedback from stakeholders.
- Evaluate the overall performance and outcomes.
- Learn from the experience to improve future planning.

ADVANTAGES OF PLANNING

Planning helps the organization achieve its objective. The advantages of planning are as,

1. Better utilization of resources

Planning decides what to produce and how to produce. Then, there is a possibility of utilizing the resources effectively.

2. Helps in achieving objectives

Planning sets goals or objective of an organization accomplish the pre-determined goals or objectives.

3. Economy in operation

Unnecessary production, in effective utilization of resources and necessary activities of an organization are eliminated through planning. This results in the economy of operation.

4. Improves competitive strength

Planning helps to improving the competitive strength through adding new products, Changes in quality and size of the product, expansion of plant capacity etc.

5. Minimises' future uncertainties

The uncertain future increases the importance of planning. Future uncertainties minimized through planning.

6. Effective control:

Control without planning is an impossible. Planning provides a basis for controlling.

7. Motivation

Planning motivates the employees as to what the organization wants to achieve in their working.

8. Co-operation

Planning helps the management pull the individual to achieve common objectives or goals. Planning provides all facilities to employees to get co-ordination.

9. Promote growth and improvement

Useless and aimless activities are avoided. It leads to the growth and improvement of an individual and the organization.

10. prevents hasty judgments

A problem through a plan and consider the alternatives before taking a sound decision. Plan in advance helps to avoids hasty judgments.

11. Reduces red-tapism

Junior most executive can act pre-planned decisions. It saves time, energy and cost and reduces red-tapism

12. Encourages innovative thought

A good plan should provide a basis for new thinking in any individual. Encourage people to coordinate and to achieve common objectives.

13. Creates forward looking attitude in management

Managers may lose their prosperity facing day-to-day problems. Planning helps a manager to become more prosperous and creates a forward looking attitude.

14. Development of efficient methods

Planning helps the management develops efficient methods and procedures of action.

15. Delegation of efficient methods

A well-prepared plan will always facilitate the delegation of authority.

16. Anticipation of crisis

Careful planning will avoid the crisis of an organization. Management can reduce the internal organization disturbances.

STEPS IN PLANNING PROCESS

The planning process is different from one plan to another and one organization to another. The planning processes are as follows;

1. Analysis of External Environment

External environment includes socio-economic condition refers to classification as society on the basis of income, age, class, living conditions, expectation etc.

Every organization has to prepare the plan according to the changing trends in the external environment.

2. Analysis of internal environment

Internal environment also called resource audit. It means the strength and weakness of an organization.

It consists of availability of resources, profitability, available manpower, communication effectiveness, etc.

3. Determination of objectives

The objectives of an organization are pre-planned. The organizations objectives are determined, the section-wise department-wise objectives are planned at the lower level.

4. Determining planning premises and constraints

Planning is based on forecasting. It means the assumption of certain events. It implies a calculation of how certain factors will behave in future.



5. Examination of alternative courses of action

An action may be performed in many ways but a particular way is most suitable to the organization. The management should find alternatives ways and examine them in the light of planning premises.

6. Weighing alternative course of action

All the alternatives are not suitable to an organization. There is a need for weighing all the alternatives to determine the best alternative.

7. Selection of the best alternative course of action

The selection of the best alternative is based on the weighing of various alternatives

8. Establishing the sequence of activities

The determined course of action is adopted each section or department, product, for a quarter, month, week, etc. The manager should draft a final plan in definite.

9. Formulation of action programmes

Action programme includes fixing time limit for performance, allocation of work to individuals and work schedule.

These are necessary to achieve the objectives with the specified period.

10. Determining secondary plans

The preparation of a secondary plan is necessary to expedite the achievement of the basic plan.

The secondary plan includes production schedule, purchase of plant and machinery, purchase of raw materials, selection, training and placement of personnel etc.

11. Securing participation of employees

The successful execution of any plan depends upon the participation of employees.

The management should involve employees in planning through communication, consultation and participation.

12. Follow-up and evaluation

The management should watch how the planning is being done. The continuous evaluation of planning is also necessary.

The actual performance is compared with the planning and then corrective is taken is any deviation.

TYPES OF PLANNING:

1. On the basis of content

- **Strategic Planning**

- It is the process of deciding on Long-term objectives of the organization.

- It encompasses all the functional areas of business □ **Tactical Planning**

- It involves conversion of detailed and specific plans into detailed and specific action plans.
- It is the blue print for current action and it supports the strategic plans.

2. On the basis of time period

- Long term planning
 - Time frame beyond five years.
 - It specifies what the organization wants to become in long run.
 - It involves great deal of uncertainty.
- Intermediate term planning
 - Time frame between two and five years.
 - It is designed to implement long term plans.
- Short term planning
 - Time frame of one year or less.
 - It provide basis for day to day operations.

MANAGEMENT BY OBJECTIVES (MBO)

MEANING:

Management by Objectives (MBO) is a personnel management technique where managers and employees work together to set, record and monitor goals for a specific period of time. Organizational goals and planning flow top-down through the organization and are translated into personal goals for organizational members. The technique was first championed by management expert Peter Drucker and became commonly used in the 1960s.

FOUR STAGES (OR) STEPS IN THE MBO PROCESS

Generally, there are four stages or steps in the MBO process.



Stage 1. Collectively fixing objectives

The superior and subordinate managers collectively fix the objectives. The objectives are fixed for the Key Result Areas (KRAs). KRAs are those areas which are very important for the long-term success of the organisation. For e.g. R & D, Production, Finance, Marketing, etc. Definite and measurable objectives should be fixed for each KRA. The time limit for achieving the objectives should also be fixed. The objectives should be achieved by the subordinate manager.

For e.g. The objective for the marketing managers may be to increase the sales of product XYZ by 50% for the year 2010-2011.

Stage 2. Collectively making a plan

After fixing the objective, the superior and subordinate managers make an action plan. This plan will be used by the subordinate manager to achieve the objective.

Stage 3. Subordinates implements the plan

The subordinate manager implements the plan. That is, he puts the plan to action. He makes optimum use of the resources. If required, he takes guidance from the superior managers.

Stage 4. Collectively monitoring performance

This is the final stage in the MBO process. Here, the subordinate monitors (evaluates or measures) his own performance. He compares his performance with the planned targets (objectives). If there

are any deviations, then the superior and subordinates managers fix new objectives. In this stage, the superior acts like a coach and guide. He does not act like a judge.

POLICIES

1. **Division of Work:** Specialization increases output by making employees more efficient. By dividing work into specific tasks, managers can ensure that each worker is responsible for a small part of the process, allowing them to become highly skilled in that area.
2. **Authority and Responsibility:** Authority is the right to give orders and the power to exact obedience. Responsibility is the corollary of authority. Wherever authority is exercised, responsibility arises.
3. **Discipline:** Discipline is essential for the smooth functioning of any organization. Employees must obey and respect the rules that govern the organization. Good discipline requires clear and fair agreements and judicious use of penalties.
4. **Unity of Command:** Each employee should receive orders from only one superior. This principle helps in avoiding confusion and conflicts.
5. **Unity of Direction:** The entire organization should be moving towards a common objective in a common direction. This ensures that everyone in the organization is aligned with the same goals.
6. **Subordination of Individual Interests to the General Interest:** The interests of one employee or group of employees should not take precedence over the interests of the organization as a whole.
7. **Remuneration:** Workers must be paid a fair wage for their services. Compensation should be fair and provide satisfaction to both the employee and employer.
8. **Centralization and Decentralization:** The degree of centralization or decentralization should depend on the specific situation. Centralization refers to the concentration of decision-making authority, while decentralization means the dispersal of authority to lower levels in the organization.
9. **Scalar Chain:** This refers to the chain of command from the top of the organization to the bottom. Managers should follow the chain of command, but communication can be direct if it speeds up the process and decision-making.

10. **Order:** There should be an orderly arrangement of resources and people in the organization. This ensures efficiency and coordination in operations.
11. **Equity:** Employees should be treated with kindness and equity. Fair treatment fosters loyalty and devotion from employees.
12. **Stability of Tenure of Personnel:** High employee turnover is inefficient. Management should provide orderly personnel planning and ensure that replacements are available to fill vacancies.
13. **Initiative:** Employees should be encouraged to take initiative and contribute their ideas. This promotes a dynamic and engaged workforce.
14. **Esprit de Corps:** Promoting team spirit will build harmony and unity within the organization. This principle emphasizes the importance of morale and unity among the workforce.

These principles, first articulated by Henri Fayol in the early 20th century, continue to provide a framework for managing organizations effectively and efficiently. While the specific application of these principles might vary depending on the organization's context and the evolving business environment, they remain foundational concepts in the field of management.

TYPES OF POLICIES

1. Organizational Policies

These policies provide overall guidance and direction to the entire organization. They cover broad aspects of the organization's mission, vision, values, and culture.

- **Mission Statement:** Defines the organization's purpose and primary objectives.
- **Vision Statement:** Describes the long-term goals and aspirations.
- **Values Statement:** Outlines the core principles and ethical standards.

2. Operational Policies

These policies focus on the day-to-day operations and processes within the organization.

- **Standard Operating Procedures (SOPs):** Detailed, written instructions to achieve uniformity in the performance of specific functions.
- **Quality Assurance Policies:** Guidelines to maintain and improve product or service quality.

3. Human Resource Policies

These policies govern the management of employees and workplace conditions.

- **Recruitment and Selection Policies:** Guidelines for hiring new employees.
- **Training and Development Policies:** Framework for employee skill enhancement and career growth.
- **Performance Appraisal Policies:** Methods and criteria for evaluating employee performance.
- **Compensation and Benefits Policies:** Structures for employee remuneration, benefits, and rewards.
- **Disciplinary Policies:** Procedures for addressing employee misconduct and disciplinary actions.

4. Financial Policies

These policies regulate the financial management and budgeting processes.

- **Budgeting Policies:** Guidelines for preparing and managing budgets.
- **Expense Reimbursement Policies:** Rules for reimbursing employees for work-related expenses.
- **Investment Policies:** Strategies for managing and investing the organization's funds.

5. Administrative Policies

These policies cover the administrative functions and office management.

- **Document Management Policies:** Procedures for handling, storing, and disposing of documents.
- **IT Policies:** Guidelines for the use and management of information technology resources.
- **Data Protection Policies:** Measures to protect sensitive and personal data.

6. Compliance Policies

These policies ensure that the organization adheres to legal and regulatory requirements.

- **Legal Compliance Policies:** Guidelines for complying with laws and regulations relevant to the organization's operations.
- **Health and Safety Policies:** Standards for maintaining a safe and healthy work environment.
- **Environmental Policies:** Guidelines for sustainable and environmentally friendly practices.

7. Marketing and Sales Policies

These policies guide the marketing and sales activities of the organization.

- **Advertising Policies:** Standards and guidelines for promotional activities.
- **Sales Policies:** Procedures and guidelines for sales operations and customer relations.
- **Customer Service Policies:** Standards for interacting with and supporting customers.

8. Security Policies

These policies protect the organization's physical and information assets.

- **Physical Security Policies:** Measures to protect the organization's physical premises and assets.
- **Information Security Policies:** Guidelines for protecting the organization's digital data and information systems.

9. Ethical Policies

These policies promote ethical behavior and decision-making within the organization.

- **Code of Conduct:** Expectations for employee behavior and ethical standards.
- **Anti-Corruption Policies:** Measures to prevent and address corruption and unethical practices.
- **Social Responsibility Policies:** Guidelines for contributing to social and community well-being.

MERITS OF MBO:

1) Improved Planning:

MBO involves participative decision-making which makes objectives explicit and plans more realistic. It focuses attention on goals in key result areas. MBO forces managers to think in terms of results rather than activities. It encourages people to set specific pleasurable goals instead of depending on hunches or guesswork. An integrated hierarchy of objectives is created throughout the organization. Precise performance objectives and measures indicating goal accomplishment are laid down. There is a time bound programme.

2) Coordination:

MBO helps to clarify the structure and goals of the organization. Harmony of objectives enables individuals at various levels to have a common direction. Every individual knows clearly his role in the organization, his area of operation and the results expected of him. Interlinking of corporate, unit and individual objectives helps in the decentralization of authority and fixation of responsibility. MBO result in clarification of organizational roles and structure. It promotes an integrated view of management and helps interdepartmental co-ordination.

3) Motivation and Commitment:

Participation of subordinates in goal setting and performance reviews tend to improve their commitment to performance. The corporate goals are converted into personal goals at all levels to integrate the individual with the organization. Timely feedback on performance creates a feeling of accomplishment. Job enrichment and sense of achievement help to improve job satisfaction and morale. Improved communication and sense of involvement provides psychological satisfaction and stimulates them for hard work. Conversion of organizational goals into personal goals helps to integrate the individual with the organization. MBO ensures performance by converting objective needs into personal goals and by providing freedom to subordinates.

4. Accurate Appraisals:

MBO replaces trait based appraisal by performance based appraisal. Quantitative targets for every individual enable him to evaluate his own performance. Performance under MBO is innovative and future oriented. It is positive, more objective and participative. Emphasis is on job requirements rather than on personality. MBO is not a scapegoat approach rather it involves constructive criticism to assess why operations have failed or lagged behind and suggests remedial actions like organizational restructuring, better communication systems, more effective incentives to motivate executives, etc. MBO provides an objective criterion for evaluation of actual performance. "Indeed

one of the major contributions of MBO is that it enables us to substitute management by self-control, for management by domination.” ‘Control becomes more effective due to verifiable standards of performance. Subordinates know in advance how they will be evaluated.

5. Executive Development:

The MBO strategy is a kind of self-discipline whereby shortcomings and development needs are easily identified. It stresses upon a long term perspective and self-development. MBO releases potential by providing opportunities for learning, innovation and creativity. It encourages initiative and growth by stretching capabilities of executives. MBO makes possible a high degree of self-control by individual managers and increases decentralization of authority.

6. Organizational change and Development:

MBO provides a frame work for planned changes. It enables managers to initiate and manage change. It helps to identify short-comings in organizational structure and processes. In this way, MBO improves the capacity of the organization to cope with its changing environment. When an organization is managed by objectives, it becomes performance-oriented and socially-useful.

Originally MBO was developed for business organizations but now it is being used by social welfare organizations also. But MBO might not be very successful in welfare organizations because of the abstract nature of the values to be measured in specific and quantified terms, general unwillingness on the part of personnel to subject their efforts to precise evaluations and lack of measuring instruments which could generate valid and reliable data. MBO has special significance in the areas of long range planning and performance appraisal.

LIMITATIONS OF MBO:

Management by objectives (MBO) has certain limitations and weakness. While some of these limitations are inherent in MBO, some limitations arise at the time of introduction and implementation of the process of MBO. Some of these limitations and problems associated with MBO are as follows:–

1. Lack of Support from Top Management: As the authority is vested in the top management in traditional organizations and it flow from top to bottom but in the process of MBO, the subordinates are also given an equal opportunity of participation, which is sometimes not liked by

the top management. MBO cannot be successful without full support from management at the top most level.

2. Resistance by Subordinates: The subordinates can also be resentful towards the system of MBO. Sometimes, while setting the goals, they may be under pressure to get along with the management and the objectives which are set may be unrealistically high or far too rigid. The subordinates, generally, feel suspicious of the management and believe that MBO is another play of the management to make them work harder and become more dedicated and involved.

3. Problems in enumerating goals and objectives: The MBO can be successful if the goals can be established in proven terms. But if these are hard to enumerate and evaluate, it may not be achievable to fathom the performance of the employees. Moreover, MBO does not have any subjectivity in performance appraisal. It rewards only productivity without giving any consideration to the creativity of the employees.

4. MBO is time consuming and costly process: MBO could be a time consuming and costly process. A lot of paper work is required and a lot of meetings and reports need to be prepared, which add to the responsibilities and burden of the managers. Because of these reasons managers generally resist of the MBO.

5. Emphasis is on short term goals: Goals under MBO are set only for a short period ranging from six months to one year. The reason could be that goals are quantitative in nature and thus it could be difficult to go in for long range planning in MBO. Since the performance of the subordinate is to be reviewed after every six months or one year, they tend to concentrate on their immediate objectives without caring for the long range objectives of the organization. This emphasis on short term goals goes against the organizational efficiency and effectiveness and is not beneficial for the organization.

6. Lack of training and adequate skills: Most of managers lack adequate skills knowledge and training required in interpersonal interaction which is required in the MBO. Many managers tend to sit down with the subordinate, dictate the goals and targets with no input permitted from the subordinates and then demand that goals be achieved in a specified time. Whether the goals are realistic or not does not enter the picture. In this type of environment, there is a lack of two way communication and objectives are imposed on the subordinates. This could have an adverse impact on the morale, initiative and performance of the employees.

7. Poor Integration: Generally, there is poor integration of MBO with the other system such as forecasting and budgeting. This lack of integration makes the overall functioning of the system very poor. **8. Difficulty in Follow up:** Under the system of MBO, the superior must get in touch with the

subordinate at the appropriate time and at that time, the subordinate will inform the boss exactly what has been accomplished and how. If the superior delays the meeting, it will create hurdles in the successful implementation of MBO as the subordinate will also start taking the program casually.

9. Difficulty in Achievement of group Goals: When the achievement of the goals of one department depend upon the goals of another department, cohesion is difficult to maintain. In such cases, the achievement of goals will also become very difficult.

10. Inflexibility: MBO could result in a rigid organization structure. As the goals are set after every six months or one year, the manager may not like to review the goals in between, even if the need arises, due to fear of resistance from the subordinates. The managers must learn to handle this situation, because sometimes revision of short term goals is necessary for the achievement of long range objectives.

11. Limited Application: MBO is useful largely for the managerial and professional employees. It is not appropriate for all levels and for everyone because of the heavy demands made by it. It can be made applicable only when both the subordinates and managers feel comfortable with it and are willing to participate in it.

12. Gestation Period: It takes a lot of time, sometimes 3-5 years to implement the MBO program properly and fully and some research studies have shown that these programs can lose their impact and potency as a motivating force over a long period of time.

DECISION-MAKING

A decision may be direction of others to do or not to do. The success of management depends upon the quality of decisions. The decision making is an important work of the superiors.

The management executives take number of decisions every day. They are able to discharge their duties without taking any decisions.

Definition

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

TYPES OF DECISIONS

Some of the decisions are as,

1. Programmed Decisions

Programmed decisions are also called routine decisions. The reason is these types of decisions are taken frequently and repetitive nature.

Lower level management takes programmed decision. It affects only a small segment of the organization.

Example- Granting overtime, placing purchase.

2. Non-Programmed Decision

Non-programmed decisions are also called strategic decisions or policy decision. This decision is taken by the top management people.

A careful analysis is made by the management before taking a policy decision.

A slight mistake in the policy decision is affecting the entire organization.

A policy decision involves heavy expenditure. Example- Starting a new business, whether to export or not, acquisition of a business etc.

3. Major Decisions

Major decisions are taken by the top management to purchase of fixed assets with more value.

Example – Purchase of land and building.

4. Minor decisions

Minor decisions are taken by the lower level management to purchase of current assets with less value.

Example – Purchase of pencil, pen, ink, etc.

5. Operative Decisions

A decision taken by middle level management for day-to-day operation of an organization.

Example – Time of payment of overtime wages.

6. Organisational Decisions

The decision-maker takes a decision and implements it for effective functioning of organization.

7. Personal Decisions

The decision-maker takes a decision for his personal life. This decision does not reflect the functioning of an organization.

8. Individual Decisions

The decision-maker is a member of an organization while taking an individual decision. He is delegated with authority to take individual decisions.

9. Group Decisions

A committee is formed by the top management for specific purposes.

The top management fixes the time within which the committee is expected to submit its report with concrete decisions.

10. Departmental Decisions

The decision-maker is department head or department manager. He takes a decision to run the department.

11. Non-economic Decision

Non-economic decision refers to a decision which does not incur any expenses. This is taken by all level of management.

A decision which relates to setting right the morale behaviour of workers.

12. Crisis Decision

A decision is taken to meet unexpected situations. It is also called spot decision.

13. Research Decision

A decision is taken after analyzing the pros and cons of a particular matter.

The quality of research decision is fully depending upon the availability of reliable information.

14. Problem Decision

A decision is taken to solve a problem. The decision does not create any more problem to the organization.

15. Opportunity Decision

A decision taken to make use of the advantages available to the company or organization.

It helps to increase the turnover, introducing a new product, building of another similar unit to avoid competition etc.

16. Certainty Decision

Certainty refers to accurate knowledge of the outcome from consequences of choice.

Example – Ascertaining how much profit will be maximized by introducing a new product or increasing the selling product.

17. Uncertainty Decisions

The outcome is not accurate or several outcomes are possible when ever a decision is taken.

The reason is the decision-maker has incomplete knowledge and he does not know the consequences.

PROCESS OF DECISION-MAKING

The decision-making depends upon the nature of problem and the nature of organization. The decisionmaking processes are as follows; **1. Identification of a problem**

It means recognition of a problem. The changes of business environment form the main reason for creating of a problem.

The manager should define what the problem is. Finding of causes of a problem is used to take quality decision.

2. Diagnosing the problem

A slight difference between problem identification and diagnosing the problem.

Example A doctor can diagnose the disease of a patient. A patient cannot find out the disease. A doctor gives information about the disease.

In management, the manager acting as a doctor while diagnosing the problem.

3. Collect and analyze the relevant information

The next step is various levels of information should be collected by the manager.

The problem is analyzed from different angles, a quality and quick decision may be taken by the manager.

4. Discovery of alternative course of action

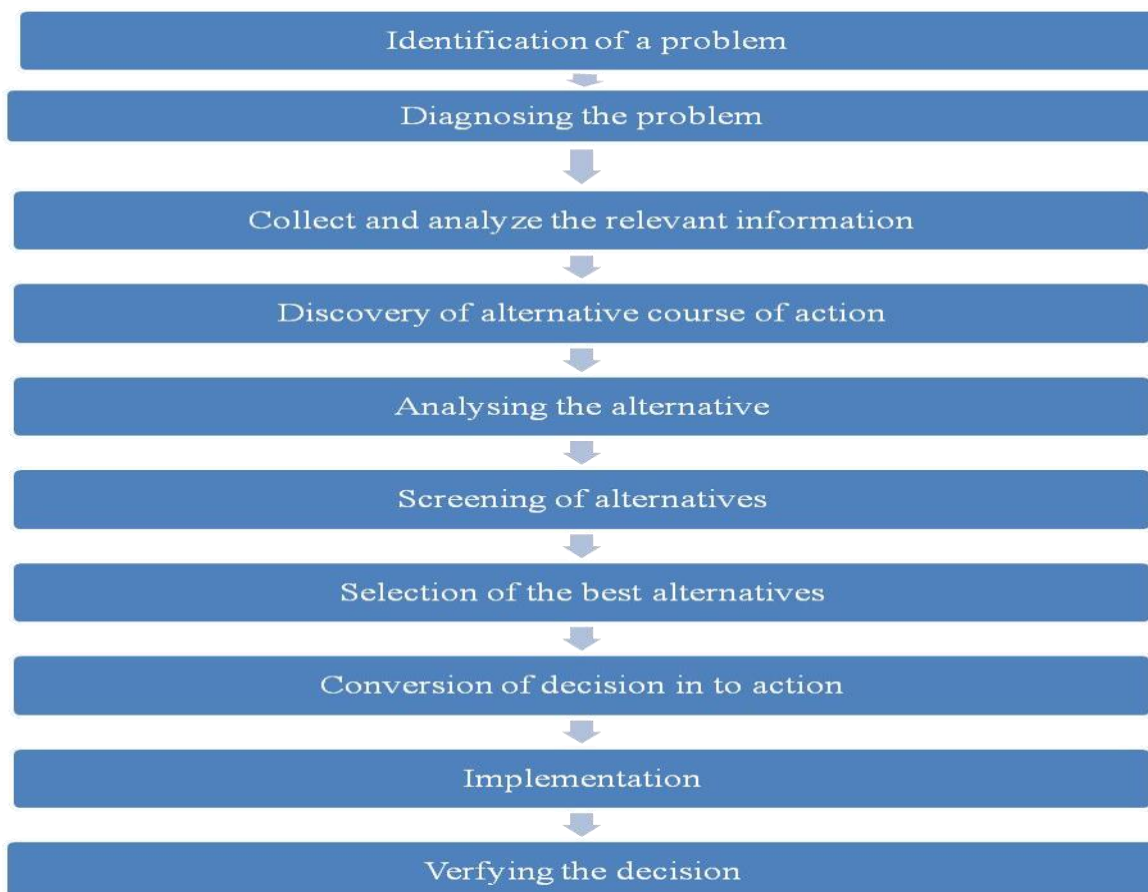
Creative thinking is necessary to develop or discover many alternatives course of action.

If there is more and more of alternatives, the manager will have more freedom to take decisions.

5. Analyzing the alternative

Some alternatives offer maximum benefits than others. An alternative is compared with other alternatives.

A decision-maker can prepare a list of limits for each alternative.



6. Screening of alternatives

The available alternatives are screened in the order of maximum benefits derived from them.

Peter F Drucker has suggested the following criteria to evaluate the alternative.

- (a) Risk – Degree of risks involved in each alternative.
- (b) Economy of efforts – Cost, time, and efforts involved in each alternative.
- (c) Timing or situation – Whether the problem is urgent.
- (d) Limitations of resources – Physical financial and human resources available with the organization.

7. Selection of best alternative

The decision maker can select the best alternative after careful evaluation. The following approaches to be considered while selecting an alternative.

A. Experience

A manager can select an alternative on the basis of his past experience. The past decisions help a lot to the manager in taking a present decision.

B. Experimentation

Each alternative is put into practice and the results are observed.

Example – Before an organization selects a production technique, it goes to trial production.

Quality production with minimum loss and expenses should be considered to select the alternative.

C. Research and analysis

In critical situation, a decision is taken under this approach.

Example – If lot of calculations are required, they are completed with the help of computers.

8. Conversion of decision into action

The future course of action is scheduled on the basis of selected alternative or decision.

The selected alternative decision is communicated to concerned persons. This communication facilitates easy implementation of decision.

9. Implementation

The manager has to implement the decision to achieve desired goals. Decision-making process comes to an end with the actual implementation of decision.

10. Verifying the decision

The duty of every manager to see whether the decisions is properly implemented or not.

Verification of implementation of decision ensures the achievement of objectives.

QUESTION

PART - A

1. Which among the following involves in planning process?

- A) Selection of objective B) determine the way to achieve objective
C) both A and B D) None of the above

2. Planning is

- (a) pervasive (b) futuristic
(c) continues (d)All of these 3.planning
involves.....

- (a) future course of action
(b) review of past performance
(c) analysis of policies
(d) All of these

4. Management by Objectives concept was developed by -----

- (a) Peter.F.Drucker
(b) Fayol
(c) Chester Bernard
(d) None

5. MBO offers the basis for assessing the -----

- Techniques

- performance
- Authority
- subject

6. Planning is----- process

- directing forecasting
- thinking none of these

7. _____ is described as interpretative planning

- Procedure
- Strategy
- Policies none of the above

8. A proper organisation avoids duplication of -----

- (a) Action
- (b) Activities
- (c) Assets
- (d) None

9. The process of MBO starts with ----(a) setting up of obligation

- (b) Fetron
- plan (c)
- Review

10. MBO was developed by ---

- (a) Peter.F.Drucker
- (b) Chester Bernard
- (c) Fayol (d) None

UNIT III

ORGANIZING

3.1 DEFINITION

- According to Koontz and O'Donnell, "Organization involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision of authority, delegation and co-ordination."
- Organization involves division of work among people whose efforts must be coordinated to achieve specific objectives and to implement pre-determined strategies.

3.2 NATURE OR CHARACTERISTICS OF ORGANIZING

- **Division of Work:** Under division of work the entire work of business is divided into many departments. The work of every department is further subdivided into sub-works. In this way each individual has to do the work repeatedly which gradually makes that person an expert.
- **Coordination:** Organization ensures that the work of all the persons depends on each other's work even though it happens to be different. The work of one person starts from where the work of another person ends. It is thus, clear that it is in the nature of an organization to establish coordination among different works, departments and posts in the enterprise.
- **Plurality of Persons:** Organization is a group of many persons who assemble to fulfil common purpose. A single individual cannot create an organization.
- **Common Objectives:** There are various parts of an organization with different functions to perform but all move in the direction of achieving a general objective.
- **Well-defined Authority and Responsibility:** Every individual working in the organization is given some authority for the efficient work performance and it is also decided simultaneously as to what will be the responsibility of that individual in case of unsatisfactory work performance.
- **Organization is a Structure of Relationship:** Relationship between persons working on different posts in the organization is decided. In other words, it is decided as to who will be the superior and who will be the subordinate.

Leaving the top level post and the lowest level post everybody is somebody's superior and somebody's subordinate.

- **Organization is a Machine of Management:** In the absence of organization no function can be performed in a planned manner. It is appropriate to call organization a machine of management from another point of view. It is that machine in which no part can afford to be ill-fitting or non-functional. In other words, if the division of work is not done properly or posts are not created correctly the whole system of management collapses.
- **Organization is a Universal Process:** Organization is needed both in business and non-business organizations. Not only this, organization will be needed where two or more than two people work jointly. Therefore, organization has the quality of universality.
- **Organization is a Dynamic Process:** Organization is related to people and the knowledge and experience of the people undergo a change. The impact of this change affects the various functions of the organizations. Thus, organization is not a process that can be decided for all times to come but it undergoes changes according to the needs. The example in this case can be the creation or abolition of a new post according to the need.

3.3 IMPORTANCE OR ADVANTAGES OF ORGANIZING

- (1) **Increase in Managerial Efficiency:** A good and balanced organization helps the managers to increase their efficiency. Managers, through the medium of organization, make a proper distribution of the whole work among different people according to their ability.
- (2) **Proper Utilization of Resources:** Through the medium of organization optimum utilization of all the available human and material resources of an enterprise becomes possible. Work is allotted to every individual according to his ability and capacity and conditions are created to enable him to utilize his ability to the maximum extent. For example, if an employee possesses the knowledge of modern machinery but the modern machinery is not available in the organization, in that case, efforts are made to make available the modern machinery.
- (3) **Sound Communication Possible:** Communication is essential for taking the right decision at the right time. However, the establishment of a good communication system is possible

only through an organization. In an organization the time of communication is decided so that all the useful information reaches the officers concerned which, in turn, helps the decision-making.

- (4) **Facilitates Coordination:** In order to attain successfully the objectives of the organization, coordination among various activities in the organization is essential. Organization is the only medium which makes coordination possible. Under organization the division of work is made in such a manner as to make all the activities complementary to each other increasing their inter-dependence. Inter-dependence gives rise to the establishment of relations which, in turn, increases coordination.
- (5) **Increase in Specialization:** Under organization the whole work is divided into different parts. Competent persons are appointed to handle all the sub-works and by handling a particular work repeatedly they become specialists. This enables them to have maximum work performance in the minimum time while the organization gets the benefit of specialization.
- (6) **Helpful in Expansion:** A good organization helps the enterprise in facing competition. When an enterprise starts making available good quality product at cheap rates, it increases the demand for its products. In order to meet the increasing demand for its products and organization has to expand its business. On the other hand, a good organization has an element of flexibility which far from impeding the
 - a. Expansion work encourages it.

3.4 ORGANIZING PROCESS

Organization is the process of establishing relationship among the members of the enterprise. The relationships are created in terms of authority and responsibility. To organize is to harmonize, coordinate or arrange in a logical and orderly manner. Each member in the organization is assigned a specific responsibility or duty to perform and is granted the corresponding authority to perform his duty. The managerial function of organizing consists in making a rational division of work into groups of activities and tying together the positions representing grouping of activities so as to achieve a rational,

wellcoordinated and orderly structure for the accomplishment of work. According to Louis A Allen, "Organizing involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organizational objectives." The various steps involved in this process are:



- a) **Determination of Objectives:** It is the first step in building up an organization. Organization is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity. Organization structure is built on the basis of the objectives of the enterprise. That means, the structure of the organization can be determined by the management only after knowing the objectives to be accomplished through the organization. This step helps the management not only in framing the organization structure but also in achieving the enterprise objectives with minimum cost and efforts. Determination of objectives will consist in deciding as to why the proposed organization is to be set up and, therefore, what will be the nature of the work to be accomplished through the organization.

- b) **Enumeration of Objectives:** If the members of the group are to pool their efforts effectively, there must be proper division of the major activities. The first step in organizing group effort is the division of the total job into essential activities. Each job should be properly classified and grouped. This will enable the people to know what is expected of them as members of the group and will help in avoiding duplication of efforts. For example, the work of an industrial concern may be divided into the following major functions – production, financing, personnel, sales, purchase, etc.

- c) **Classification of Activities:** The next step will be to classify activities according to similarities and common purposes and functions and taking the human and material resources into account. Then, closely related and similar activities are grouped into divisions and departments and the departmental activities are further divided into sections.

- d) **Assignment of Duties:** Here, specific job assignments are made to different subordinates for ensuring a certainty of work performance. Each individual should be given a specific job to do according to his ability and made responsible for that. He should also be given the adequate authority to do the job assigned to him. In the words of Kimball and Kimball - "Organization embraces the duties of designating the departments and the personnel that are to carry on the work, defining their functions and specifying the relations that are to exist between department and individuals."

- e) **Delegation of Authority:** Since so many individuals work in the same organization, it is the responsibility of management to lay down structure of relationship in the organization. Authority without responsibility is a dangerous thing and similarly responsibility without authority is an empty vessel. Everybody should clearly know to whom he is accountable; corresponding to the responsibility authority is delegated to the subordinates for enabling them to show work performance. This will help in the smooth working of the enterprise by facilitating delegation of responsibility and authority.

3.5 ORGANIZATION STRUCTURE

An organization structure is a framework that allots a particular space for a particular department or an individual and shows its relationship to the other. An organization structure shows the authority and responsibility relationships between the various positions in the organization by showing who reports to whom. It is an established pattern of relationship among the components of the organization. **Significance of Organization Structure**

- Properly designed organization can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.
- Organization structure determines the location of decision-making in the organization.
- Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority.
- A sound organization structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.
- Organization structure provides the pattern of communication and coordination.
- The organization structure helps a member to know what his role is and how it relates to other roles.

3.6 PRINCIPLES OF ORGANIZATION STRUCTURE

Modern organizational structures have evolved from several organizational theories, which have identified certain principles as basic to any organization structure.

- a) **Line and Staff Relationships:** Line authority refers to the scalar chain, or to the superior-subordinate linkages, that extend throughout the hierarchy (Koontz, O'Donnell and Weihrich). Line employees are responsible for achieving the basic or strategic objectives of the organization, while staff plays a supporting role to line employees and provides services. The relationship between line and staff is crucial in organizational structure, design and efficiency. It is also an important aid to information processing and coordination.
- b) **Departmentalization:** Departmentalization is a process of horizontal clustering of different types of functions and activities on any one level of the hierarchy. Departmentalization is conventionally based on purpose, product, process, function, personal things and place.
- c) **Span of Control:** This refers to the number of specialized activities or individuals supervised by one person. Deciding the span of control is important for coordinating different types of activities effectively.

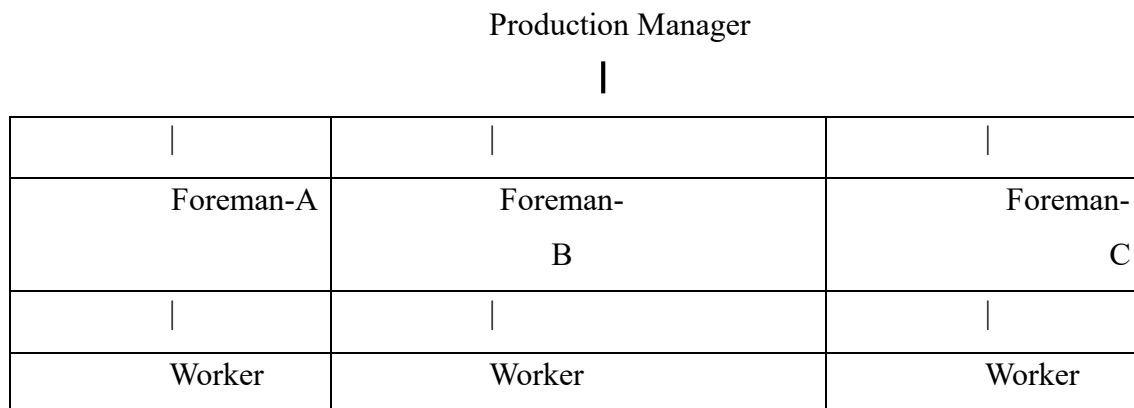
- d) **De-centralization and Centralization:** De-centralization refers to decision making at lower levels in the hierarchy of authority. In contrast, decision making in a centralized type of organizational structure is at higher levels. The degree of centralization and decentralization depends on the number of levels of hierarchy, degree of coordination, specialization and span of control.

3.7 TYPES OF ORGANISATION STRUCTURE

LINE ORGANISATION STRUCTURE

It is also known as scalar, military, or vertical organization and perhaps is the oldest form. In this form of organization managers have direct responsibility for the results; line organization can be designed in two ways.

1. **PURE LINE ORGANISATION:** Under this form, similar activities are performed at a particular level. Each group of activities is self – contained unit and is able to perform the assigned activities without the assistance of others



2. **DEPARTMENTAL LINE ORGANISATION:** Under this form, entire activities are divided into different departments on the basis of similarity of activities. The basic objective of this form is to have uniform control, authority and responsibility.

Production Manager

|

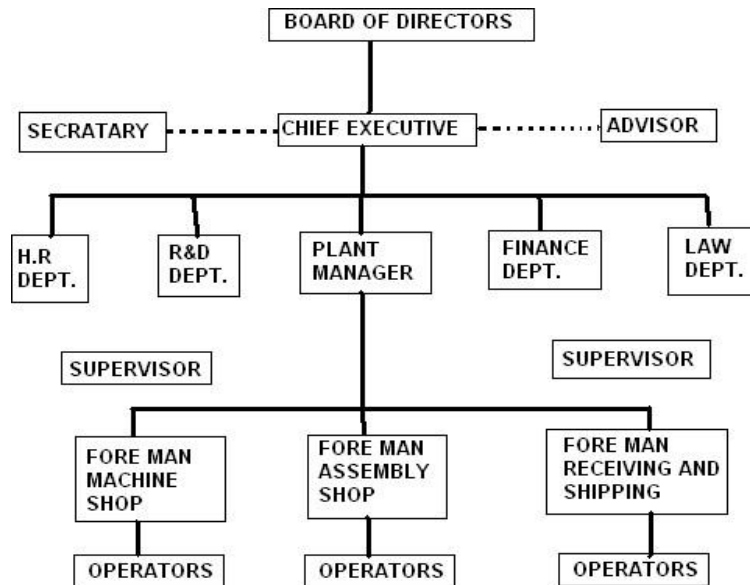
Foreman-A	Foreman-B	Foreman-C
(Body Moulding)	(Seating)	(Finishing)
Worker	Worker	Worker

Merits	Demerits
<ol style="list-style-type: none"> 1) It is simple to understand 2) Easy supervision & control 3) Quick decisions 4) It sets clearly the direct lines of authority and responsibility of a line manager 	<ol style="list-style-type: none"> 1) Lack of specialization 2) Low – Morale 3) Autocratic approach 4) Overburden to manager

3. **LINE AND STAFF ORGANISATION:** It refers to a pattern in which staff specialists advise line managers to perform their duties. When the work of an executive increases its performance requires the services of specialists which he himself cannot provide because of his limited capabilities on these matters. Such advice is provided to line managers by staff personal who are generally specialists in their fields. The staff people have the right to recommend, but have no authority to enforce their preference on other departments.

FEATURES:-

- This origin structure clearly distinguishes between two aspects of administration viz., planning and execution.
- Staff officers provide advice only to the line officers; they do not have any power of command over them.
- The staff supplements the line members.



MERITS	DEMERITS
<ol style="list-style-type: none"> 1. It enhances the quality of decision 2. Greater scope for advancement 3. It relieves the line managers. 4. Reduction of burden. 	<ol style="list-style-type: none"> 1. It may create more friction or Conflict between line and staff 2. It is expensive 3. It creates confusion

FUNCTIONAL ORGANISATION STRUCTURE: It is the most widely used organization structure in the medium and large scale organizations having limited number of products. This structure emerges from the idea that the organization must perform certain functions in order to carry on its operations. Functional structure is created by grouping the activities on the basis of functions required for the achievement of 4. organizational objectives. For this purpose, all the functions required are classified into basic, secondary and supporting functions according to their nature & importance.

FEATURES:

1. The whole activities of an organization are divided into various functions
2. Each functional area is put under the charge of one executive
3. For any decision, one has to consult the functional specialist

MERITS	DEMERITS
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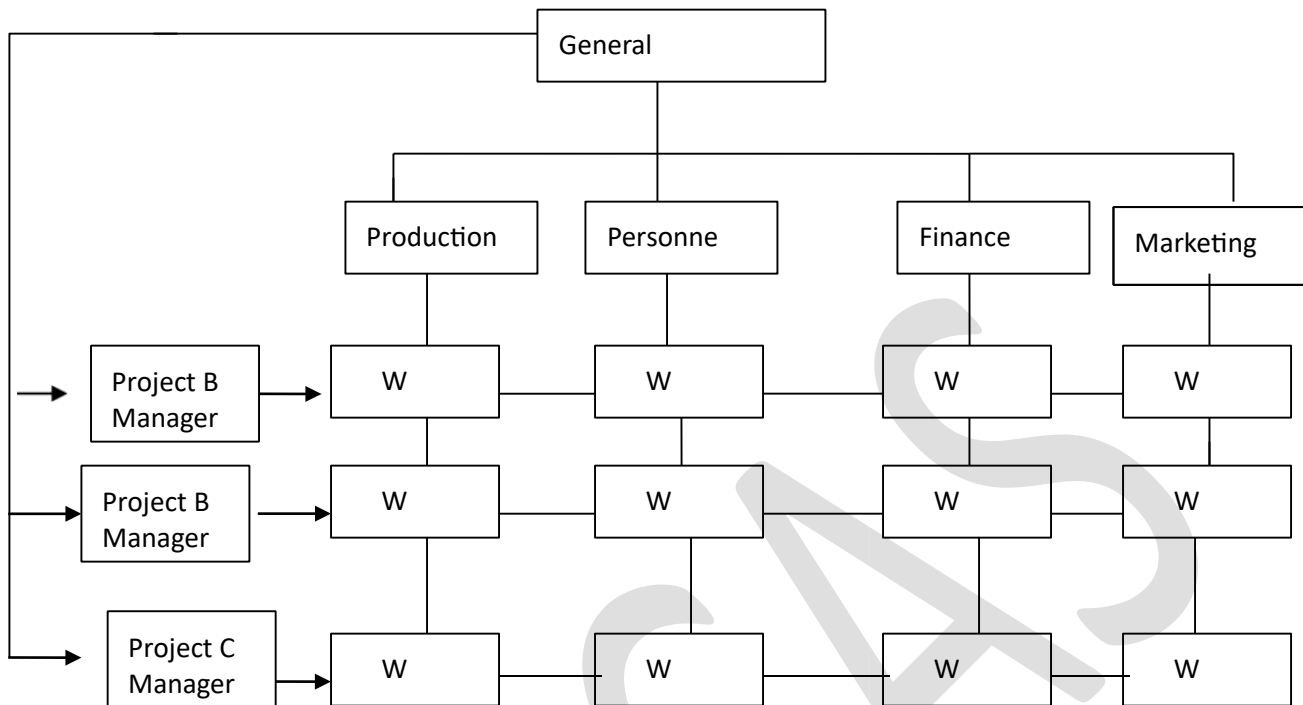
- 1) Planned specialization
- 2) Facilitates large scale production
- 3) Disciplinary controls are well defined
- 4) Offers clear career paths

- 1) calls for more coordination
- 2) no clear line of authority
- 3) slow decision making
- 4) lack of responsibility

5. **COMMITTEE ORGANISATION:** A committee does not represent a separate type of organization like line and staff, or functional. It is rather a device which is used as supplementary to or in addition to any of the above types of organizations. A committee may be defined as a group of people performing some aspects of Managerial functions. Thus, a committee is a body of persons appointed or elected for the Consideration of specific matters brought before it

MERITS

ANSWER



3.8 FORMAL ORGANIZATION:

Chester I Bernard defines formal organization as -"a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability." The essence of formal organization is conscious common purpose and comes into being when persons—

- Are able to communicate with each other
- Are willing to act and Share a purpose.

The formal organization is built around four key pillars. They are:

- Division of labor
- Scalar and functional processes
- Structure and
- Span of control

Thus, a formal organization is one resulting from planning where the pattern of structure has already been determined by the top management. **Characteristic Features of formal organization**

- Formal organization structure is laid down by the top management to achieve organizational goals.
- Formal organization prescribes the relationships amongst the people working in the organization.
- A formal organization is bound by rules, regulations and procedures.
- In formal organization, position, authority, responsibility & accountability of each level clearly defined.
- Organization structure is based on division of labor and specialization to achieve efficiency in operations.
- In a formal organization, coordination proceeds according to the prescribed pattern. **Advantages of formal organization**
- The formal organization structure concentrates on the jobs to be performed. It, therefore, makes everybody responsible for a given task.
- A formal organization is bound by rules, regulations and procedures. It thus ensures law and order in the organization.
- The organization structure enables the people of the organization to work together for accomplishing the common objectives of the enterprise **Disadvantages or criticisms of formal organization**
- The formal organization does not take into consideration the sentiments of organizational members.
- The formal organization does not consider the goals of the individuals. It is designed to achieve the goals of the organization only.
- The formal organization is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult.

3. 9 INFORMAL ORGANIZATION

Informal organization refers to the relationship between people in the organization based on personal attitudes, emotions, prejudices, likes, dislikes etc. an informal organization is an organization which is not established by any formal authority, but arises from the personal and social relations of the people. These relations are not developed according to procedures and regulations laid down in the formal organization structure; generally large formal groups give rise to small informal or social groups. These groups may be based on same taste, language, culture or some other factor. These groups are not pre-planned, but they develop automatically within the organization according to it environment.

Characteristics features of informal organization

- Informal organization is not established by any formal authority. It is unplanned and arises spontaneously.
- Informal organizations reflect human relationships. It arises from the personal and social relations amongst the people working in the organization.
- Formation of informal organizations is a natural process. It is not based on rules, regulations and procedures.
- The inter-relations amongst people in an informal organization cannot be shown in an organization chart.

Benefits of Informal organization

- It blends with the formal organization to make it more effective.
- The presence of informal organization in an enterprise makes the managers plan and act more carefully.
- An informal organization has a powerful influence on productivity and job satisfaction.
- Informal organization helps the group members to attain specific personal objectives.

3.10 DIFFERENCES BETWEEN FORMAL AND INFORMAL ORGANIZATION

Basis of Comparison	Formal Organization	Informal Organization
Formation	Planned and deliberate	Spontaneous
Purpose	Well-set goals	Social interaction
Structure	Well structured	Unstructured
Nature	Official	Unofficial
Focus	Positions	Persons
Leadership	Superior	Anyone
Source of Power	Delegated	Given by group
Guidelines for behaviour	Rules and Procedures	Group norms
Sources of control	Reward/Punishment	Sanctions

3. 11 DEPARTMENTATION BY DIFFERENT STRATEGIES

DEPARTMENTATION refers to the process of grouping activities into departments. Departmentation is the process of grouping of work activities into departments, divisions, and other homogenous units.

Key Factors in Departmentation:

- It should facilitate control.
- It should ensure proper coordination.
- It should take into consideration the benefits of specialization.
- It should not result in excess cost.
- It should give due consideration to Human Aspects.
- Departmentation takes place in various patterns like departmentation by functions, products, customers, geographic location, process, and its combinations.

a) FUNCTIONAL DEPARTMENTATION: Functional departmentation is the process of grouping activities by functions performed. Activities can be grouped according to function (work being done) to pursue economies of scale by placing employees with shared skills and knowledge into departments for example human resources, finance, production, and marketing. Functional departmentation can be used in all types of organizations.

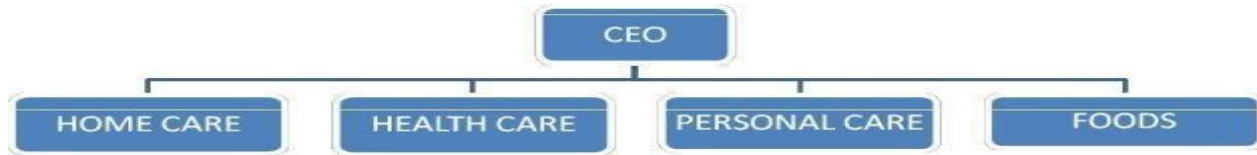
Advantages:

- Advantage of specialization
- Easy control over functions
- Pinpointing training needs of manager
- It is very simple process of grouping activities.

Disadvantages:

- Lack of responsibility for the end result
- Overspecialization or lack of general management
- It leads to increase conflicts and coordination problems among departments.

b) PRODUCT DEPARTMENTATION



Product departmentation is the process of grouping activities by product line. Tasks can also be grouped according to a specific product or service, thus placing all activities related to the product or the service under one manager. Each major product area in the corporation is under the authority of a senior manager who is specialist in, and is responsible for, everything related to the product line. Dabur India Limited is the India's largest Ayurvedic medicine manufacturer is an example of company that uses product departmentation. Its structure is based on its varied product lines which include Home care, Health care, Personal care and Foods. **Advantages**

- It ensures better customer service
- Unprofitable products may be easily determined
- It assists in development of all around managerial talent
- Makes control effective
- It is flexible and new product line can be added easily. **Disadvantages**
- It is expensive as duplication of service functions occurs in various product divisions
- Customers and dealers have to deal with different persons for complaint and information of different products.

c) CUSTOMER DEPARTMENTATION



Customer departmentation is the process of grouping activities on the basis of common customers or types of customers. Jobs may be grouped according to the type of customer served by the organization. The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists. UCO is the one of the largest commercial banks of India is an example of

company that uses customer departmentation. Its structure is based on various services which includes Home loans, Business loans, Vehicle loans and Educational loans

Advantages

- It focused on customers who are ultimate suppliers of money
- Better service to customer having different needs and tastes
- Development in general managerial skills **Disadvantages**
- Sales being the exclusive field of its application, co-ordination may appear difficult between sales function and other enterprise functions.
- Specialized sales staff may become idle with the downward movement of sales to any specified group of customers.

d) GEOGRAPHIC DEPARTMENTATION

Geographic departmentation is the process of grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography.

For example, the organization structure of Coca-Cola Ltd has reflected the company's operation in various geographic areas such as Central North American group, Western North American group, Eastern North American group and European group

Advantages

- Help to cater to the needs of local people more satisfactorily.
- It facilitates effective control
- Assists in development of all-round managerial skills **Disadvantages**
- Communication problem between head office and regional office due to lack of means of communication at some location
- Coordination between various divisions may become difficult.
- Distance between policy framers and executors
- It leads to duplication of activities which may cost higher.

e) PROCESS DEPARTMENTATION

Geographic departmentation is the process of grouping activities on the basis of product or service or customer flow. Because each process requires different skills, process departmentation allows homogenous activities to be categorized. For example, Bowater Thunder Bay, a Canadian company that harvests trees and processes wood into newsprint and pulp. Bowater has three divisions namely tree cutting, chemical processing, and finishing (which makes newsprint).

Advantages

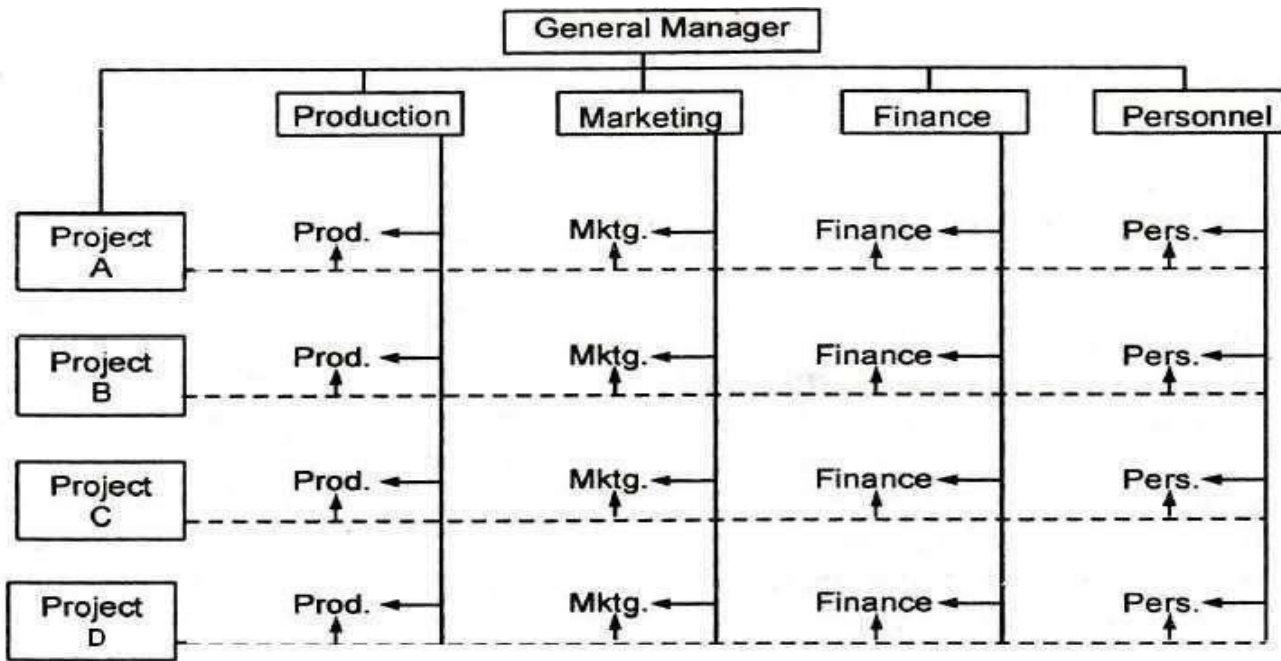
- Oriented towards end result.
- Professional identification is maintained.
- Pinpoints product-profit responsibility.

Disadvantage

- Conflict in organization authority exists.
- Possibility of disunity of command.
- Requires managers effective in human relation

f) MARTIX DEPARTMENTATION

In actual practice, no single pattern of grouping activities is applied in the organization structure with all its levels. Different bases are used in different segments of the enterprise. Composite or hybrid method forms the common basis for classifying activities rather than one particular method. One of the mixed forms of organization is referred to as matrix or grid organization's According to the situations, the patterns of Organizing varies from case to case. The form of structure must reflect the tasks, goals and technology if the originations the type of people employed and the environmental conditions that it faces. It is not unusual to see firms that utilize the function and project organization combination. The same is true for process and project as well as other combinations. For instance, a large hospital could have an accounting department, surgery department, marketing department, and a satellite center project team that make up its organizational structure.



Advantages

- Efficiently manage large, complex tasks
 - Effectively carry out large, complex tasks
- ### Disadvantages
- Requires high levels of coordination
 - Conflict between bosses
 - Requires high levels of management skills

3.12 SPAN OF CONTROL

Span of Control means the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization.

- It determines the complexity of individual manager job.
- It determines the shape or configuration of the organisation.

The classical writers suggest that between 3 to 8 subordinates as ideal depending up on the level of management.

V.A.Gracuna a French management consultant has suggested a mathematical formula to fix the number of subordinates. He classified superior and subordinate relationship into the following:

- a) **Direct single relationship:** - Direct single relationships arise from the direct individual contacts of the superior with his subordinates. Ex: - A, B,C are subordinates to X. Here three single relationships.
- b) **Direct group relationships:-**Direct group relationships arise between the superior and subordinates in all possible combinations. Thus the superior may consult his subordinates with one or more combinations. Ex:-A with B, B with C, A with C, etc..
- c) **Cross relationships:-** Cross relationships arise because of mutual interaction of subordinates working under the common superior , such as A and B,B and C,A and C,C and A etc.. The relationship is quite different between A and B than B and A from management point of view because the type of interaction will be different in both cases.

Gracuna has given formula to find various relationships with varying number of subordinates.

Factors effecting span of management:-

1. Capacity of superior
2. Capacity of subordinate
3. Nature of work
4. Degree of decentralization
5. Degree of planning
6. Communication technique
7. Use of staff assistance
8. Supervision from others

Span of control is of two types:

1. **Narrow span of control:** Narrow Span of control means a single manager or supervisor oversees few subordinates. This gives rise to a tall organizational structure.

Advantages:

- Close supervision
 - Close control of subordinates
 - Fast communication
- Disadvantages:**
- Too much control
 - Many levels of management

- High costs
- Excessive distance between lowest level and highest level

2. **Wide span of control:** Wide span of control means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational structure.

Advantages:

- More Delegation of Authority
 - Development of Managers
 - Clear policies
- Disadvantages:**
- Overloaded supervisors
 - Danger of superiors loss of control
 - Requirement of highly trained managerial personnel
 - Block in decision making

3.13 CENTRALIZATION

It is the process of transferring and assigning decision-making authority to higher levels of an organizational hierarchy. The span of control of top managers is relatively broad, and there are relatively many tiers in the organization

Characteristics

- Philosophy / emphasis on: top-down control, leadership, vision, strategy.
- Decision-making: strong, authoritarian, visionary, charismatic.
- Organizational change: shaped by top, vision of leader.
- Execution: decisive, fast, coordinated. Able to respond quickly to major issues and changes.
- Uniformity. Low risk of dissent or conflicts between parts of the organization. **Advantages**

of Centralization

- Provide Power and prestige for manager

- Promote uniformity of policies, practices and decisions
- Minimal extensive controlling procedures and practices
- Minimize duplication of function

Disadvantages of Centralization

- Neglected functions for mid. Level, and less motivated beside personnel.
- Nursing supervisor functions as a link officer between nursing director and first-line management.

3.14 DECENTRALIZATION:

It is the process of transferring and assigning decision-making authority to lower levels of an organizational hierarchy. The span of control of top managers is relatively small, and there are relatively few tears in the organization, because there is more autonomy in the lower ranks.

Characteristics

- Philosophy / emphasis on: bottom-up, political, cultural and learning dynamics.
- Decision-making: democratic, participative, detailed.
- Organizational change: emerging from interactions, organizational dynamics.
- Execution: evolutionary, emergent. Flexible to adapt to minor issues and changes.
- Participation, accountability. Low risk of not-invented-here behaviour. **Three Forms of decentralization**

- **De-concentration.** The weakest form of decentralization. Decision making authority is redistributed to lower or regional levels of the same central organization.

- **Delegation.** A more extensive form of decentralization. Through delegation the responsibility for decision-making are transferred to semi-autonomous organizations not wholly controlled by the central organization, but ultimately accountable to it.

- **Devolution.** A third type of decentralization is devolution. The authority for decisionmaking is transferred completely to autonomous organizational units. **Advantages of Decentralization**

- Raise morale and promote interpersonal relationships
- Relieve from the daily administration
- Bring decision-making close to action

- Develop Second-line managers
- Promote employee's enthusiasm and coordination
- Facilitate actions by lower-level managers
- Top-level administration may feel it would decrease their status
- Managers may not permit full and maximum utilization of highly qualified personnel
- Increased costs. It requires more managers and large staff
- It may lead to overlapping and duplication of effort

3.15 DELEGATION OF AUTHORITY

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

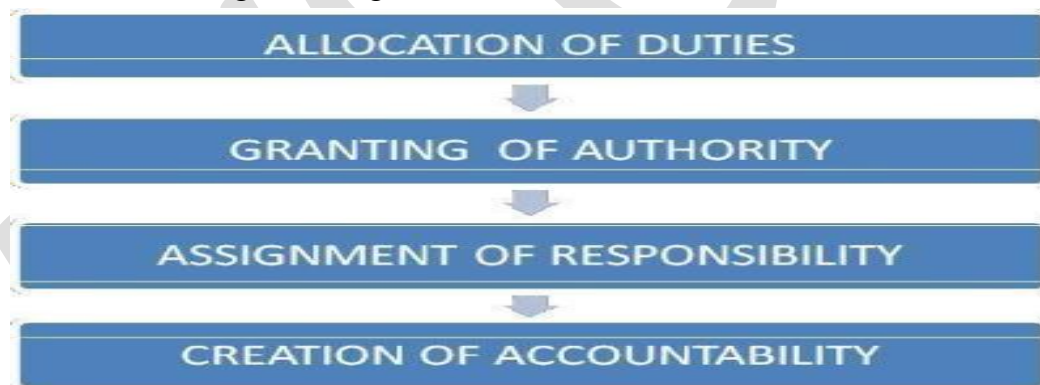
1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well- defined. All people who have the authority should know what is the scope of their authority is and they shouldn't mutualize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.
2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level

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

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

3. 16 DELEGATION PROCESS

The steps involved in delegation are given below



1. **Allocation of duties** – The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.
2. **Granting of authority** – Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason; every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate

authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.

3. **Assigning of Responsibility and Accountability** – The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Therefore, it is that which gives effectiveness to authority. At the same time, Responsibility is absolute and cannot be shifted.
4. **Creation of accountability** – Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority.

Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

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

QUESTION BANK

PART – A

MULTIPLECHOICEQUESTIONS

1. The purpose and the aim for which the organisation is set up and operate is called a) objective

- b) strategy
- c) policy
- d) procedure

2. It is a function of management which refers to the process of integrating the activities of different units of organisation to achieve the organisation goals. This is called

- a) Actuating
- b) controlling
- c) co-ordination
- d) planning

3. Which among the following is not the principles of organisation?

- A) Unity of objectives
- B) Specialisation

4. Which among the following is not a type or forms of organisation?

- A) Formal Organisation
- B) Project organisation
- C) Committee organisation
- D) Line organisation

5. In a line Organisation which among the following will not work directly under the general manager?

- a. Sales Manager.
- B) Foreman
- C) Works manager
- D) Personnel manager

6. Which scholar introduced the functional type of organisation?

- a. F.W. Taylor
- B) Chester Bernard
- C) Allen
- D) Max Weber

7. Which of the following statement is true?

- A) there is scope for specialisation in line Organisation
- B) it is difficult to fix responsibility in line Organisation
- C) the line of authority in line Organisation is vertical
- D) line Organisation is only suitable for large-scale operation

8.organising is

- (a) A remedy for all types of problems
- (b) ensure accurate forecasting
- (c) None of these
- (d) All of these

9. Organising process involves

- (a) division of work
- (b) grouping of identical work
- (c) All of these
- (d) None of these

10. Organizing deals with.....

- (a) division of work
- (b) decentralising activities
- (c) centralisation activities
- (d) All of these

UNIT – IV

DIRECTING

INTRODUCTION

Direction is the process of instructing guiding counseling motivating and leading the human resources to achieve organisational objectives. Direction is also called as activating though infrequently by some. Direction is an important managerial function.

Direction has dual objectives, on the one hand it aims at getting things done by subordinates and on the other to provide superiors opportunities for some more important work. Which their subordinates cannot do.

DEFINITION:

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

IMPORTANCE OF DIRECTING:

The importance of direction in the organisation can be viewed by the fact that every action is initiated through direction.

1. Direction Initiates Actions:

Organisation is the sum total of human and non-human resources without direction other managerial activities like planning organizing and staffing become ineffective.

2. Direction integrates employee’s efforts:

For achieving organisational objectives individuals need not only be efficient but effective also. Individual’s efforts need to be integrated so that organisation achieves its objectives in the most efficient manner and this is possible through direction only.

3. Direction attempts to get maximum out of Individuals:

Every individual in the organisation has some potentiality and capability which in the absence of proper motivation, leadership communication all elements of direction may not be utilized fully. Direction provides the way to utilize these capabilities and also it helps in increasing these capabilities.

4. Direction facilitates change in the organisation:

Organisation exists in the society and any change in the society changes organizational process to keep organisation ready to face environmental changes. To incorporate and implement these changes management should motivate individuals affected by these changes which is an essential part of direction.

5. Direction provides stability and balance in the organisation:

Effective leadership communication and motivation provide stability in the organisation and maintain balances in different parts of the organisation. Organisation exists for a long period and its parts work in a harmonious way.

PRINCIPLES OF DIRECTING

Following are the principles of direction:



Image: Principles of Direction.

1. **Harmony of Objectives**: Harmonizing the individual's objectives with the group objectives is the first principle of directing. Persons join the concern for getting their physiological and psychological needs satisfied. They are expected by the organization to work in such a manner to achieve the organizational goals. Individuals also work well only when they feel that their personal goals will be satisfied. Thus, directing function must first of all resolve the conflict between the individual's goals and organizational goals.
2. **Unity of Direction**: Another important principle of direction is that the orders should be received by the subordinates from only one superior. In other words, there should not be dual subordination. Dual subordination brings disorder, confusion, chaos and undermines authority and leads to instability. The subordinates should report to only one superior.
3. **Direct Supervision**: It is essential for the managers to have a direct and personal contact with their subordinates because direction involves motivating the subordinates toward work. Direct supervision makes the subordinates happy and boosts their morale. It also ensures quick feedback of necessary information.
4. **Appropriate Leadership Style**: Leadership is a process of influence exercised on group members by the leader in the work environment. There is no one universally acceptable leadership style. No single

style is suitable to all situations. The style varies with the situations. Therefore, a manager should exhibit appropriate leadership style i.e., the style that is suitable to a given situation.

5. **Appropriate Direction Techniques**: Direction techniques that are used by the managers should be appropriate i.e., it should be suitable to superiors, subordinates and the situation so as to ensure efficiency of direction.
6. **Use of Informal Organization**: Managers should make use of informal groups so that the formal groups can be strengthened.
7. **Use of Motivation Techniques**: Managers should develop selective motivation techniques such as money, pay, status, promotion, etc., So that the productivity and the quality of the products can be increased. Motivation ensures higher job satisfaction.
8. **Follow Up**: Directing is a never ending process. It involves continuous supervision, advice, counseling and assisting the subordinates in the performance. of their jobs. So it requires continuous feedback which is essential to make necessary modifications in the activities of the management.

TYPES OF DIRECTION

Direction, as a concept, can be understood in various contexts, each having its specific types. Here are some common contexts and their respective types of direction:

1. Geographical Direction

These refer to the cardinal points used in navigation and geography.

- **Cardinal Directions**: North, South, East, West.
- **Intercardinal (Ordinal) Directions**: Northeast, Southeast, Southwest, Northwest.
- **Secondary Intercardinal Directions**: North-Northeast, East-Northeast, East-Southeast, South-Southeast, South-Southwest, West-Southwest, West-Northwest, North-Northwest.

2. Business and Management Direction

This refers to the guidance and oversight provided to ensure organizational goals are met.

- **Strategic Direction**: Long-term goals and plans to achieve competitive advantage.
- **Operational Direction**: Day-to-day activities and processes to ensure efficiency and effectiveness.

- **Tactical Direction:** Short-term actions and plans that align with strategic goals.

3. Instructional Direction

Guidance provided to individuals or groups to perform tasks or activities.

- **Explicit Directions:** Clear, detailed instructions on what to do.
- **Implicit Directions:** General guidelines or suggestions with flexibility for interpretation.
- **Verbal Directions:** Instructions given orally.
- **Written Directions:** Instructions provided in written form.

4. Musical Direction

Instructions given in musical scores to guide performance.

- **Tempo Directions:** Indications of speed (e.g., Allegro, Andante).
- **Dynamic Directions:** Indications of volume (e.g., Forte, Piano).
- **Articulation Directions:** Indications of how notes should be played (e.g., Legato, Staccato).

5. Film and Theater Direction

Guidance provided to actors and crew for performance and production.

- **Artistic Direction:** Overall vision and style of the production.
- **Technical Direction:** Practical and technical aspects of production (e.g., lighting, set design).
- **Performance Direction:** Guidance on actors' performances and interpretations.

6. Traffic Direction

Instructions to manage and control the flow of vehicles and pedestrians.

- **Traffic Signals:** Lights and signs to direct traffic flow.
- **Traffic Controllers:** Police officers or traffic wardens who manage traffic manually.
- **Road Signs:** Fixed signs indicating directions, warnings, and information.

7. Educational Direction

Guidance provided to students and learners.

- **Curricular Direction:** The structure and content of educational programs.
- **Instructional Direction:** Methods and strategies used by teachers to facilitate learning.
- **Career Direction:** Advice and guidance on career paths and opportunities.

8. Psychological Direction

Guidance provided for personal growth and mental health.

- **Therapeutic Direction:** Techniques and approaches used by therapists to help clients.
- **Motivational Direction:** Encouragement and advice to inspire and motivate individuals.
- **Behavioral Direction:** Strategies to influence and modify behavior.

Each type of direction serves a unique purpose and is essential in its respective field. Understanding these different types helps in effectively applying direction in various aspects of life and work.

LEADERSHIP

Introduction :

A leader is a person who guides and directs others called followers. He gives focus to the efforts of his followers.

Definition

“Leadership is the ability of a manager to induce subordinates to worker with confidence and zeal” Koonty and o Donnelly

“A leader is one who guides and directs other people. He must give effective direction and purpose. “Allen”.

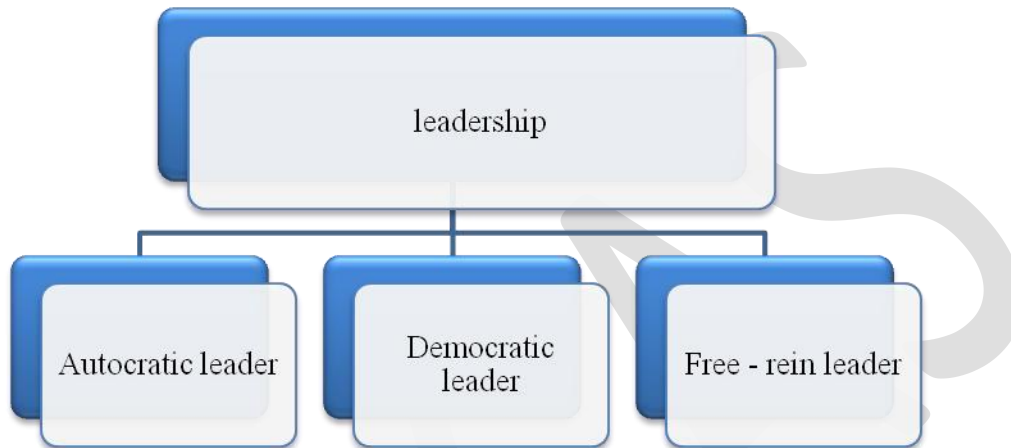
LEADERSHIP STYLES [OR] TYPES OF LEADERS

The following are main types of leadership styles:

(1) Autocratic Leadership Style

(2) Democratic Leadership Style

(3) Laissez-faire Leadership Style



(1) AUTOCRATIC LEADERSHIP STYLE

This style is also known as the leader-centered style. Under this style, the leader keeps all the authority centered in his hands and the employees have to perform the work exactly as per his orders. If any employee is careless in his work performance, he is punished.

The leader does not decentralize his authority for the fear of losing his importance. Consequently, the responsibility of the success or failure of management remains with the manager.

Characteristics

Following are the characteristics of the autocratic leadership style:

(i) Centralised Authority:

In this style, a manager is not prepared to share his authority and responsibility with others. Consequently, all the authority of work performance remains centralized.

(ii) Single-man Decisions:

In this style of leadership, the manager himself takes all the decisions. He takes it for granted that he does not need any other individual.

(iii) Wrong Belief regarding Employees:

The manager is a victim of the thinking that the employees do not work when motivated by love and they require hard control. Impelled by this thought, managers take the help of the centralized leadership style.

(iv) Only Downward Communication:

The thinking and suggestions of the employees are meaningless in this style of leadership. Therefore, the communication is only downward which means that the managers only tell them their ideas but do not listen to the employees' ideas.

Advantages

The autocratic leadership style has the following advantages:

(i) Quick and Clear Decisions:

Because of the centralized authority all the decisions are taken by a single individual and hence there is no unnecessary delay and the decisions are comparatively clear.

(ii) Satisfactory Work:

Since the work performance of the employees is under strict control, the quantity and quality of the work happen to be satisfactory.

(iii) Necessary for Less Educated Employees:

This style is very useful for the less educated and persons of less understanding. They have no capability of taking decisions because of little education. The employees of this category can only work and not take decisions.

Disadvantages

This style has the following disadvantages:

(i) Lack of Motivation:

This style does motivate the managers but it lowers the morale of the employees. This is natural because working in an environment of fear does lower their morale.

(ii) Agitation by Employees:

Since the employees are not given any participation in taking decisions, they are turned into machines working like machines incapable of doing anything of their own. Similarly, managers can make the employees do as they wish. The employees consider such a leadership style as uninteresting and oppose it.

(iii) Possibility of Partiality:

Since all the authority is centralized in a single individual, he tries to please his favourites and flatterers by giving them work of less laborious nature. Such a partiality creates a feeling of bitterness and anger among the employees.

Evaluation

On the basis of the above-mentioned advantages and disadvantages, it can be asserted that this style is not practical. The chief aim of leadership is to motivate the employees so as to make them to follow the leader. This aim is not fulfilled in this case. Hence, this leadership style cannot be called more useful.

(2) DEMOCRATIC LEADERSHIP STYLE

This style is also known as group-centered leadership style. These days this leadership style is very much in vogue. Under this style, decisions regarding different works are not taken by the manager alone but they are taken in consultation with the employees.

This leadership style is based on Decentralisation. The manager respects the suggestions made by his subordinates, and also makes efforts to fulfill their necessities.

Characteristics

Following are the characteristics of democratic leadership style:

(i) Cooperative Relations:

The chief characteristic of this style is the existence of cooperative relations among the managers and the employees. Participation in the management decisions gives the employees a feeling of self-respect, as a result of which the employees are always ready to be cooperative in every way.

(ii) Belief in Employees:

The managers inherently believe that the employees by nature want to work, do their work with interest, accept their responsibility and try to perform their work in a good manner. This faith of the managers in the employees increases their morale.

(iii) Open Communication:

This style encourages open communication among the managers and the employees. Open communication means both ways communication, meaning thereby that apart from saying their own thoughts the managers receive the suggestions of the employees with pleasure.

Advantages

Democratic leadership style has the following advantages:

(i) High Morale:

Under this style, the enthusiasm of the managers and the employees is sky-high. Both consider each other their well-wishers.

(ii) Creation of More Efficiency and Productivity:

Since the employees are participants in the decision making, they give full cooperation in implementing them. In this way their efficiency increases.

(iii) Availability of Sufficient Time for Constructive Work:

Under this leadership style, the workload of the managers gets decreased. By using their spare time constructively they make the development and expansion of the enterprise possible.

Disadvantages

Following are the disadvantages of the democratic leadership style:

(i) Requirement of Educated Subordinates:

The chief characteristic of this leadership style is that the subordinates are made partners in taking decisions, so much so that some little affairs are left to them. Such cooperation can be expected only from the educated employees.

(ii) Delay in Decisions:

It is clear that while taking decisions the subordinates are always consulted. This makes it a long process.

(iii) Lack of Responsibility in Managers:

Sometimes the managers try to evade responsibility by observing that the decisions were taken by the subordinates because they were made partners in taking some important decisions. Thus, they must be held responsible. **Evaluation**

After having studied the merits and demerits of the democratic leadership style it can be said that only this style is really a practical leadership style. If all the employees are fully acquainted with this style after giving them training, this can be made more suitable.

(3) LAISSEZ-FAIRE OR FREE-REIN LEADERSHIP STYLE

This leadership style is also described as Individual- centered style. In this style, the manager or the leader takes little interest in managerial functions and the subordinates are left on their own. It refers to that leadership style in which the leader gives his subordinates complete freedom to make decisions.

Overall objectives help the subordinates in determining their own objectives. Apart from this, they provide resources for work performance and, if need be, they also advise the employees. This style is absolutely different from the autocratic leadership style.

Characteristics

Following are the characteristics of the free-rein leadership style:

(i) Full Faith in Subordinates:

A prominent characteristic of this style is that the managers consider their subordinates capable, active and responsible individuals and have full faith in them.

(ii) Independent Decision-making System:

In this style, the management-related decisions are taken by the subordinates instead of the managers. They can, however, consult the managers.

(iii) Decentralisation of Authority:

This style is based on the principle of Decentralisation. It means that the managers widely distribute their authority to enable every individual to determine his objective and make his plans accordingly. The managers only perform the function of coordination, direction and general control.

(iv) Self-directed, Supervisory and Controlled:

After having once explained the objectives, the only job of the manager is to interfere only in adverse situations. The supervision and control is done by the employees themselves.

Advantages

Free-rein leadership style has the following advantages:

(i) Development of Self-confidence in Subordinates:

When all the authority in their work performance is given to the employees, they become habituated in taking decisions which creates self-confidence in them. They start doing better work in future.

(ii) High-level Motivation:

When the manager gives the subordinates all the authority by showing full confidence in them they start considering themselves an important part of the concern.

In this way they start feeling that they are not a part of the enterprise but are the enterprise itself. With the onset of this feeling there is nothing left in their motivation.

(iii) Helpful in Development and Extension of the Enterprise:

The development and extension of an enterprise where this leadership style is adopted is at its climax.

The reason for this is the time available with the managers to find out the possibilities of development and extension.

Disadvantages

This leadership style has the following disadvantages:

(i) Difficulty in Cooperation:

Since there is no close supervision and control by the managers everybody starts functioning independently. Some employees with opposite point of view become a hurdle in the attainment of objectives of other people.

Such people do not work themselves, nor can they see others work. It becomes difficult for the manager to establish coordination among such employees.

(ii) Lack of Importance of Managerial Post:

In this leadership style, the post of a manager is rendered less important because he does not make any plan, or take any decision or exercise any control.

(iii) Suitable only for Highly Educated Employees:

This style is useful only when every employee is fully educated so that the work can be assigned to him with full confidence. This leadership style is not suitable for leading uneducated or semi-educated people.

QUALITIES FOR EFFECTIVE LEADERSHIP

- Honesty & integrity
- Confidence
- Inspire others
- Commitment & passion
- Good communicator
- Decision making capabilities
- Accountability
- Delegation & empowerment
- Creativity & innovation

□ Empathy

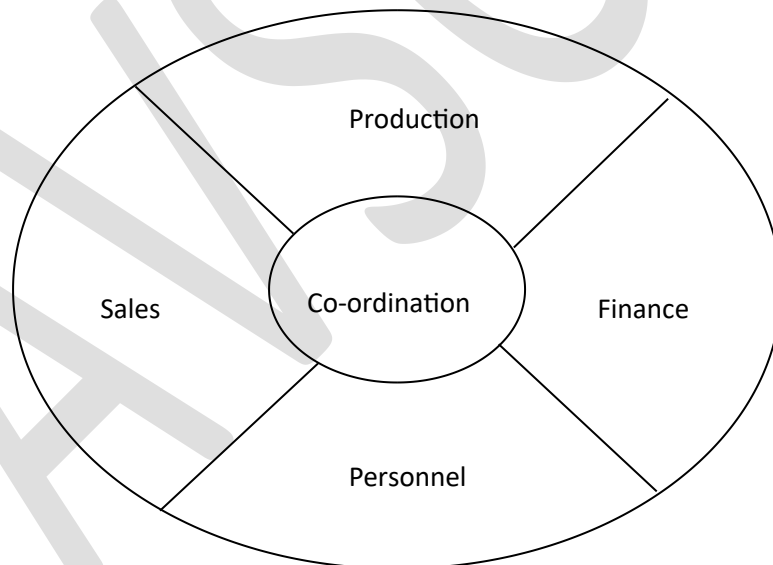
CO-ORDINATION MEANING

“Co-ordination is the process of linking the various activities of an enterprise”. Every department in a concern functions independently. But the activities of one department influence those of another department. For example, the activities of the production department influence those of the sales department and vice versa. Likewise, the activities of the finance department influence those of the production and sales departments. Thus, it becomes clear that the various departments in an enterprise are inter-related and inter-dependent.

DEFINITION OF CO-ORDINATION

Co-ordination is the orderly arrangement of group effort to provide unity of action in pursuit of a common purpose- “Mooney and Reily”.

Co-ordination is the orderly synchronizing of the efforts of the subordinates to provide the proper amount, timing and quality of execution so that their unified efforts lead to the stated objective, namely, the common purpose of the enterprise- “Haimann”.



Concept of Co-ordination

NEEDS (OR) IMPORTANCE OF COORDINATION

The need and importance of coordination can be judged from these points:



1. Coordination encourages team spirit

There exists many conflicts and rivalries between individuals, departments, between a line and staff, etc. Similarly, conflicts are also between individual objectives and organizational objectives.

Coordination arranges the work and the objectives in such a way that there are minimum conflicts and rivalries. It encourages the employees to work as a team and achieve the common objectives of the organization. This increases the team spirit of the employees.

2. Coordination gives proper direction

There are many departments in the organization. Each department performs different activities.

Coordination integrates (bring together) these activities for achieving the common goals or objectives

of the organization. Thus, coordination gives proper direction to all the departments of the organization.

3. Coordination facilitates motivation

Coordination gives complete freedom to the employees. It encourages the employees to show initiative. It also gives them many financial and non-financial incentives. Therefore, the employees get job satisfaction, and they are motivated to perform better.

4. Coordination makes optimum utilization of resources

Coordination helps to bring together the human and material resources of the organization. It helps to make optimum utilization of resources. These resources are used to achieve the objectives of the organization. Coordination also minimizes the wastage of resources in the organization.

5. Coordination helps to achieve objectives quickly

Coordination helps to minimize the conflicts, rivalries, wastages, delays and other organizational problems. It ensures smooth working of the organization. Therefore, with the help of coordination an organization can achieve its objectives easily and quickly.

6. Coordination improves relations in the organization

The Top Level Managers coordinates the activities of the Middle Level Managers and develop good relations with them. Similarly, the Middle Level Managers coordinate the activities of the Lower Level Managers and develop good relations with them. Also, the Lower Level Managers coordinate the activities of the workers and develop good relations with them. Thus, coordination, overall improves the relations in the organization.

7. Coordination leads to higher efficiency

Efficiency is the relationship between Returns and Cost. There will be higher efficiency when the returns are more and the cost is less. Since coordination leads to optimum utilization of resources it results in more returns and low cost. Thus, coordination leads to higher efficiency.

8. Coordination improves goodwill of the organization

Coordination helps an organization to sell high quality goods and services at lower prices. This improves the goodwill of the organization and helps it earn a good name and image in the market and corporate world.

NATURE AND CHARACTERISTICS OF CO-ORDINATION

1. The need for Co-ordination arise due to inter-dependence. When an individual or a department performs certain activities that do not affect anyone, there is no need for Co-ordination at all. But in a business organisation, the activities of the different departments are inter-related and inter-dependent. Therefore, these need to be properly coordinated.

2. It aims at attaining the common goal- Although the different departments in an enterprise work according to their own agenda, is only through co-ordination that the overall enterprise objective is achieved.

3. It is the duty of every manager- Every manager has the duty to secure co-ordination. For example, the production manager should co-ordinate the activities of his department with those of the sales department.

4. It does not arise spontaneously- Co-ordination of enterprise activities does not happen spontaneously. All the individuals and departments will have to work together to secure co-ordination. In other words, it requires conscious efforts.

5. It may be performed by specialists appointed for the purpose- Normally the task of Coordination is performed by the departmental managers themselves with the help of their subordinates.

But in a huge concern the task of securing co-ordination may be entrusted to a specialist or to a group of experts.

6. It is an on-going activity – Co-ordination is not something that is required only at a particular point of time. The different activities of the enterprise need to be coordinated as and when they are performed. As long as there is planning and execution, there will be co-ordination.

PRINCIPALS OF CO-ORDINATION

1. **Principle of direct personal contact** – This principle says that direct personal contact with the persons concerned is essential for achieving effective co-ordination. Face-to-face communication is the best way to resolve any issue.
2. **Principle of early beginning** – In the planning stage itself suitable provision for co-ordination may be made. Setting of targets and preparation of plans must be done in consultation with the subordinate staff.
3. **Principle of reciprocity**- According to this principle, when a person knows that he can influence and can be influenced by others, he would certainly avoid unilateral or one-sided action. This should make co-ordination easy.
4. **Principle of continuity** – This principle says that co-ordination is a never ending activity. The need for it will be felt as long as there are enterprise activities.

APPROACHES AND TECHNIQUES OF EFFECTIVE COORDINATION IN MANAGEMENT

Approaches of Effective Coordination

Achievements of organization depend upon coordination. So, it should be very much effective. Following are the approaches to achieve effective coordination.

1. Using the basic management techniques

By the use of basic management technique effective coordination can be achieved. Coherence of orders, rules and procedure helps to achieve effective coordination.

Coherence of order helps to exchange information. Rules and procedures help to use the assigned rights freely. So, we can say that effective coordination can be achieved by the use of basic management techniques.

2. Boundary spanning

Effective coordination depends upon effective communication and public relation. It is very difficult to have effective coordination if there is more communication and public relation. In such case boundary spanning is a suitable method. In this approach all the departments will have permanent relation. Boundary spanning informs about the need and responsibility of various departments which helps to have effective coordination.

3. Reducing the need for coordination

If coordination is vague and complex, then management boundaries and technology will be ineffective. As a result, coordination is impossible. Under this approach organization reduces the need for coordination. It is necessary to create independent unit for the reduction for coordination.

TECHNIQUES OF EFFECTIVE COORDINATION

For the effective coordination among the various activities, staff and departments, following methods of techniques should be followed:

1. Simplified organization

Organizational structure directly affects the coordination. If organizational structure is complex, coordination is not possible. So structure of organization should be simple for the attainment of coordination.

2. Clearly defined goal

To manage effective coordination, goal of organization, departments and activities should be clearly defined. Goal of all those activities, departments and organization should be simple. Organizational programmes and policies must be harmonized for effective coordination which brings simplicity in discussion.

3. Effective communication

Effective communication is the essence of coordination. So, organization should manage effective communication system for effective coordination. Effective communication needs clarify, simplicity, dependability, self confidence etc.

4. Effective leadership and supervision

A manager can have effective coordination with the help of sound leadership and supervision. Leadership creates coordination in planning and implementation and correct supervision creates coordination.

5. Voluntary cooperation

Coordination is possible only when staff has voluntary social feeling. Good relation, good environment, attractive facility, right to do work etc. are necessary for the creation of social feeling.

6. Clarifying authority and responsibility

Even staff of organization will have his own rights and responsibility which should be defined clearly for good coordination. If it is not clearly defined, it creates conflicts among staff for rights and responsibilities. So, well defined right eliminates conflict and creates good coordination.

CO-ORDINATION AND CO-OPERATION

Co-ordination is a broader concept than co-operation. Co-operation merely indicates the willingness of individuals to help each other. It is a necessary but not a sufficient condition to secure co-ordination to secure co-ordination. Co-ordination requires something more than the desire and willingness of the individuals to co-operate. Deliberate and conscious efforts are needed to secure coordination in order to integrate the various activities of an enterprise.

Co-operation just reflects the attitudes of individuals. Co-ordination, on the other hand, is a vital function of management. Co-operation among individuals is necessary to secure better human relations in the work place. Co-ordination, on the other hand, is important in view of the enterprise activities being inert related and inter-dependent.

PROBLEMS IN CO-ORDINATION

1. Multiplicity of activities- The problem of co-ordination increases with the increase in the number of activities performed in an enterprise. The larger the number of activities the greater will be the problem of co-ordination.

2. **Large number of employees-** Securing co-ordination in a small organisation, where only a few people are employed, is quite easy. On the other hand, in a big industrial establishment, where hundreds of employees are working, co-ordination is bound to pose problems.

3. **Division of work** - Division of work, no doubt, offers the benefit of specialization. But a serious drawback of division of work is that it will pose problems of co-ordination among the persons who perform the different operations.

4. **Inter-dependence-** Co-ordination will not pose any problem in case an individual or a group or a department is able to work independently without being influenced by others. For example, worker X may be able to do his work only after worker Y has performed his ask.

5. **Clash of interests** – If the organisation has employees who are all duty conscious, coordination will not pose any serious problem. When such a clash of interest occurs, co-ordination becomes a tough job.

6. **Differences in perceptions, values and beliefs** – Co-ordination becomes difficult also due to the fact that the perceptions, values and beliefs of the employees in an organisation are not the same. For example, if one worker is prepared to work overtime to complete the target and another is not prepared for overtime work, co-ordination become difficult.

7. **Lack of co-operative sprit-** Co-ordination among the staff provides the very basis for coordination. In and organisation where there is lack of co-operative sprit among the employees, securing co-ordination is sure to pose problems.

8. **Uncontrollable factors** – Several uncontrollable factors, such as unavailability of credit, raw materials and power, changes in Government policies, unpredictable market conditions etc., also pose problems in performing the co-ordination function. For example the sales department might have prepared its sales plan with lot of enthusiasm. But the production department will be able to produce only if the necessary raw materials are made available to it at the right time.

CONTROLLING

MEANING

If Planning is 'looking ahead', controlling is 'looking back'. Planning helps to attain the goal of the enterprise in a systematic manner. Control, on the other hand, ensures that everything has been done as planned.

Control gives to the planning function. It is only because of control that the employees show commitment to work. Planning provides the basis for control. Control is not possible without planning. This is because if a task is not planned, it cannot be controlled. It may, therefore, be said that 'Planning without control is useless and control without planning is meaningless.

DEFINITIONS OF CONTROL

Management control is the process by which managers assure that resources are obtained and used effectively in accomplishment of the organisation's objective- "Roberts Antony".

Control is the continuing process of measuring the actual results of the operations of an organisation in relation to the result which were planned – "Brecht"

IMPORTANCE OF CONTROLLING



1. Helps in achieving organisational goals:

When the plans are made in the organisation these are directed towards achievement of organisational goal and the controlling function ensures that all the activities in the organisation take place according to plan and if there is any deviation, timely action is taken to bring back the activities on the path of planning. When all the activities are going according to plan then automatically these will direct towards achievement of organisational goal.

2. Judging accuracy of standards:

Through strategic controlling we can easily judge whether the standard or target set are accurate or not. An accurate control system revises standards from time to time to match them with environmental changes.

3. Making efficient use of Resources:

Like traffic signal control guides the organisation and keeps it on the right track. Each activity is performed according to predetermined standards. As a result there is most and effective use of resources.

4. Improving employee motivation:

An effective control system communicates the goals and standards of appraisal for employees to subordinates well in advance.

A good control system also guides employees to come out from their problems. This free communication and care motivate the employees to give better performance.

5. Ensures order and discipline:

Control creates an atmosphere of order and discipline in the organisation. Effective controlling system keeps the subordinates under check and makes sure they perform their functions efficiently.

Sharp control can have a check over dishonesty and fraud of employees. Strict control monitor, employees work on computer monitor which brings more order and discipline in work environment.

6. Facilitate coordination in action:

Control helps to maintain equilibrium between means and ends. Controlling makes sure that proper direction is taken and that various factors are maintained properly. All the departments are controlled

according to predetermined standards which are well coordinated with one another. Control provides unity of direction.

7. Controlling helps in improving the performance of the employees:

Controlling insists on continuous check on the employees and control helps in creating an atmosphere of order and discipline. Under controlling function it is made sure that employees are aware of their duties and responsibilities very clearly.

They must know clearly the standards against which their performance will be judged. These standards help the employees to work efficiently.

Control can be exercised on employees' performance through following measures:

(a) Self-appraisal report:

The employees are asked to prepare a report of their performance and to explain whether their performance is in accordance with plan or not. In this report employees specify their achievements.

(b) Performance appraisal report by supervisors:

The superiors continuously monitor and observe the employees when they are performing the job and comparison between the standard and actual performance is done. On the basis of this observation the managers prepare performance appraisal report.

These reports become the base for giving promotions, increments, bonus etc. to the employees. To have good report the employees perform efficiently and effectively.

8. Controlling helps in minimising the errors:

Small errors or small mistakes may not seriously affect the organisation. But if these errors are repeated again and again it will become a serious matter and can bring disaster for the organisation.

An effective controlling system helps in minimising the errors by continuous monitoring and check. The managers try to detect the error on time and take remedial steps to minimise the effect of error.

Limitations of Controlling:

1. Difficulty in setting quantitative standards:

Control system loses its effectiveness when standard of performance cannot be defined in quantitative terms and it is very difficult to set quantitative standard for human behaviour, efficiency level, job satisfaction, employee's morale, etc. In such cases judgment depends upon the discretion of manager.

2. No control on external factors:

An enterprise cannot control the external factors such as government policy, technological changes, change in fashion, change in competitor's policy, etc.

3. Resistance from employees:

Employees often resist control and as a result effectiveness of control reduces. Employees feel control reduces or curtails their freedom. Employees may resist and go against the use of cameras, to observe them minutely.

4. Costly affair:

Control is an expensive process it involves lot of time and effort as sufficient attention has to be paid to observe the performance of the employees. To install an expensive control system organisations have to spend large amount. Management must compare the benefits of controlling system with the cost involved in installing them. The benefits must be more than the cost involved then only controlling will be effective otherwise it will lead to inefficiency.

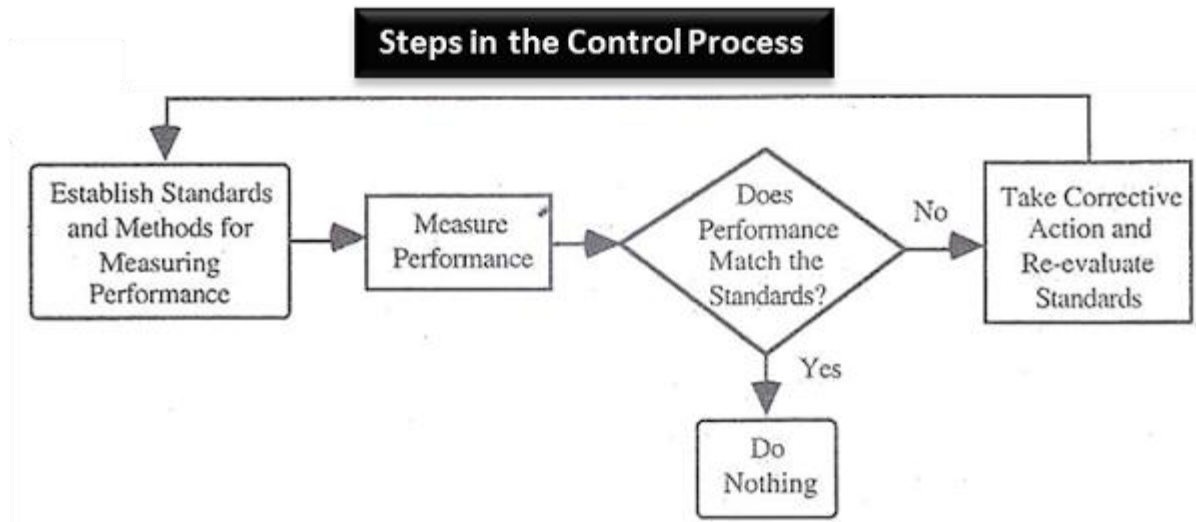
STEPSINTHECONTROLPROCESS

The control process is the process for organizational control that arises from the goals and strategic plans of the organization.

The basic control process involves the following steps:

1. Establishing standards and methods for measuring performance
2. Measuring the performance
3. Determining whether performance matches the standard
4. Taking corrective action

These Steps are described below;



1. ESTABLISHING STANDARDS:

Standards are criteria against which results are measured. They are norms to achieve the goals. Standards are usually measured in terms of output. They can also be measured in non-monetary terms like loyalty, customer attraction, goodwill etc. Some of the standards are as.

a. Time standards:

The goal will be set on the basis of time lapse in performing a task.

b. Cost standards:

These indicate the financial expenditures involved per unit, e.g. material cost per unit, cost per person, etc.

c. Income standards:

These relate to financial rewards received due to a particular activity like sales volume per month, year etc.

d. Market share:

This relates to the share of the company's product in the market.

e. Productivity:

Productivity can be measured on the basis of units produced per man hour etc. **f.**

Profitability:

These goals will be set with the consideration of cost per unit, market share, etc.

2. MEASURING PERFORMANCE

Measurement involves comparison between what is accomplished and what was intended to be accomplished. The measurement of actual performance must be in the units similar to those of predetermined criterion. The unit or the yardstick thus chosen be clear, well-defined and easily identified, and should be uniform and homogenous throughout the measurement process.

The performance can be measured by the following steps:

(a) Strategic control points:

It is not possible to check everything that is being done. So it is necessary to pick strategic control points for measurement. Some of these points are:

(i) Income:

It is a significant control point and must be as much per unit of time as was expected. If the income is significantly off from the expectation then the reasons should be investigated and a corrective action taken.

(ii) Expenses:

Total and operational cost per unit must be computed and must be adhered to. Key expense data must be reviewed periodically.

(iii) Inventory:

Some minimum inventory of both the finished product as well as raw materials must be kept in stock as a buffer. Any change in inventory level would determine whether the production is to be increased or decreased.

(iv) Quality of the product:

Standards of established quality must be maintained especially in food processing, drug manufacturing, automobiles, etc. The process should be continuously observed for any deviations.

(v) Absenteeism:

Excessive absenteeism of personnel is a serious reflection on the environment and working conditions. Absenteeism in excess of chance expectations must be seriously investigated.

(b) Mechanised measuring devices:

This involves a wide variant of technical instruments used for measurement of machine operations, product "quality for size and ingredients and production processes. These instruments may be mechanical, electronic or chemical in nature.

(c) Ratio analysis:

Ratio analysis is one of the most important management tools. It describes the relationship of one business variable to another.

(d) Comparative statistical analysis:

The operations of one company can be usefully compared with similar operations of another company or with industry averages. It is a very useful performance measuring device.

3. COMPARING THE ACTUAL PERFORMANCE WITH EXPECTED PERFORMANCE

This is the active principle of the process. The previous two, setting the goals and the measurement format are the preparatory parts of the process. It is the responsibility of the management to compare the actual performance against the standards established.

This comparison is less complicate if the measurement units for the standards set and the performance measured are the same and quantified. The comparison becomes more difficult when these require subjective evaluations

Ralph C. Davis identifies four phases in the comparison.

1. Receiving the raw data.

2. Accumulation, classification and recording of this information.

3. Periodic evaluation of completed action to date.

4. Reporting the status of accomplishment to higher line authority.

At the third phase, deviations if any are noted between standards and performance. If clear cut deviations are there, then management must study the:-

(i) Causes for deviation

(ii) Effect of deviation

(iii) Size of deviation

(iv) Positive or negative deviation.

4. CORRECTING DEVIATIONS:

The final element in the process is the taking corrective action. Measuring and comparing performance, detecting shortcomings, failures or deviations, from plans will be of no avail if it does not point to the needed corrective action.

Thus controlling to be effective, should involve not only the detection of lapses but also probe into the failure spots, fixation of responsibility for the failures at the right quarters, recommendation of the best possible steps to correct them. These corrective actions must be applied when the work is in progress. The primary objective should be avoidance of such failures in future.

The required corrective action can be determined from the qualified data as per the standards laid out and the performance evaluation already done. This step should be taken promptly, otherwise losses may be cumulative and remedial action will be all the more difficult to take.

Corrective action must be well balanced, avoiding over controlling and at the same time letting not things to drift.

CONTROL TECHNIQUES 1. BUDGETARY CONTROL TECHNIQUES

The various types of budgets are as follows **i)**

Revenue and Expense Budgets:

The most common budgets spell out plans for revenues and operating expenses in rupee terms. The most basic of revenue budget is the sales budget which is a formal and detailed expression of the sales forecast. The revenue from sales of products or services furnishes the principal income to pay operating expenses and yield profits. Expense budgets may deal with individual items of expense, such as travel, data processing, entertainment, advertising, telephone, and insurance. **ii) Time, Space, Material, and**

Product Budgets:

Many budgets are better expressed in quantities rather than in monetary terms. e.g. direct-labor-hours, machine-hours, units of materials, square feet allocated, and units produced. The Rupee cost would not accurately measure the resources used or the results intended. **iii) Capital Expenditure Budgets:**

Capital expenditure budgets outline specifically capital expenditures for plant, machinery, equipment, inventories, and other items. These budgets require care because they give definite form to plans for spending the funds of an enterprise. Since a business takes a long time to recover its investment in plant and equipment, (Payback period or gestation period) capital expenditure budgets should usually be tied in with fairly long-range planning. **iv) Cash Budgets:**

The cash budget is simply a forecast of cash receipts and disbursements against which actual cash "experience" is measured. The availability of cash to meet obligations as they fall due is the first requirement of existence, and handsome business profits do little good when tied up in inventory, machinery, or other noncash assets. **v) Variable Budget:**

The variable budget is based on an analysis of expense items to determine how individual costs should vary with volume of output. Some costs do not vary with volume, particularly in so short a period as 1 month, 6 months, or a year. Among these are depreciation, property taxes and insurance, maintenance of plant and equipment, and costs of keeping a minimum staff of supervisory and other key personnel. Costs that vary with volume of output range from those that are completely variable to those that are only slightly variable. The task of variable budgeting involves selecting some unit of measure that reflects volume; inspecting the various categories of costs (usually by reference to the chart of accounts);

and, by statistical studies, methods of engineering analyses, and other means, determining how these costs should vary with volume of output. **vi) Zero Based Budget:**

The idea behind this technique is to divide enterprise programs into "packages" composed of goals, activities, and needed resources and then to calculate costs for each package from the ground up. By starting the budget of each package from base zero, budgeters calculate costs afresh for each budget period; thus they avoid the common tendency in budgeting of looking only at changes from a previous period.

Advantages

There are a number of advantages of budgetary control:

- Compels management to think about the future, which is probably the most important feature of a budgetary planning and control system. Forces management to look ahead, to set out detailed plans for achieving the targets for each department, operation and (ideally) each manager, to anticipate and give the organization purpose and direction.
- Promotes coordination and communication.
- Clearly defines areas of responsibility. Requires managers of budget centre's to be made responsible for the achievement of budget targets for the operations under their personal control.
- Provides a basis for performance appraisal (variance analysis). A budget is basically a yardstick against which actual performance is measured and assessed. Control is provided by comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors.
- Enables remedial action to be taken as variances emerge.
- Motivates employees by participating in the setting of budgets.
- Improves the allocation of scarce resources.
- Economises management time by using the management by exception principle.

Problems in budgeting

- Whilst budgets may be an essential part of any marketing activity they do have a number of disadvantages, particularly in perception terms.
- Budgets can be seen as pressure devices imposed by management, thus resulting in:
 - a) Bad labour relations
 - b) Inaccurate record-keeping.
- Departmental conflict arises due to:
 - a) Disputes over resource allocation
 - b) Departments blaming each other if targets are not attained.
- It is difficult to reconcile personal/individual and corporate goals.
- Waste may arise as managers adopt the view, "we had better spend it or we will lose it". This is often coupled with "empire building" in order to enhance the prestige of a department.
- Responsibility versus controlling, i.e. some costs are under the influence of more than one person, e.g. power costs.
- Managers may overestimate costs so that they will not be blamed in the future should they overspend.

2. NON-BUDGETARY CONTROL TECHNIQUES

There are, of course, many traditional control devices not connected with budgets, although some may be related to, and used with, budgetary controls. Among the most important of these are: statistical data, special reports and analysis, analysis of break- even points, the operational audit, and the personal observation. **i) Statistical data:**

Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control. Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts. **ii) Break- even point analysis:**

An interesting control device is the break even chart. This chart depicts the relationship of sales and expenses in such a way as to show at what volume revenues exactly cover expenses. **iii) Operational audit:**

Another effective tool of managerial control is the internal audit or, as it is now coming to be called, the operational audit. Operational auditing, in its broadest sense, is the regular and independent appraisal, by a staff of internal auditors, of the accounting, financial, and other operations of a business. **iv)**

Personal observation:

In any preoccupation with the devices of managerial control, one should never overlook the importance of control through personal observation.

v) PERT:

The Program (or Project) Evaluation and Review Technique, commonly abbreviated PERT, is a method to analyze the involved tasks in completing a given project, especially the time needed to complete each task, and identifying the minimum time needed to complete the total project.

vi) GANTT Chart:

A Gantt chart is a type of bar chart that illustrates a project schedule. Gantt charts illustrate the start and finish dates of the terminal elements and summary elements of a project. Terminal elements and summary elements comprise the work breakdown structure of the project. Some Gantt charts also show the dependency (i.e., precedence network) relationships between activities.

QUESTION BANK

PART – A

MULTIPLECHOICEQUESTIONS

1. Which among the following statement relating to leadership is false?

- A) leadership is a process of influence
- B) leadership is goal oriented
- C) leadership is bossism

2. Which among the following is not a quality for a leader?

- A) Charming personality
- B) Ability to take decision
- C) Communication skill
- D) Lazy attitude

3. Which among the following is a characteristics of motivation?

- A) Internal feeling
- B) Simple process
- C) One time process.
- D) Not a goal oriented process

4. The highest level need in the need hierarchy of Abraham Maslow

- a) safety needs
- b) belongingness need
- c) self actualisation need
- d) prestige need

5. Well governing group of workers who voluntarily meet regularly is

- a) Quality Circle
- b) Total Quality Management
- c) Six sigma
- d) Kaizen

1. co-ordination means.....

- (a) organising activities
- (b) Directing activities
- (c) synchronizing activities
- (d) both a&b

2. Which among the following is not an element of co-ordination

- a) integration
- b) balancing
- c) proper timing
- d) directing

3. co-ordination refers to the description of the behaviour and relationships of the organisation

- (a) vertical
- (b) Horizontal

(c) procedural (d) substantive

4.....is defined as the functions of getting things done through people. (a) management (b) science (c)art (d) both a&b

5. Which among the following is not an element of co-ordination?

- a) integration
- b) balancing
- c) proper timing
- d) directing

6.co-ordination refers to the description of the behaviour and relationships of the organisation

- (a) vertical (b)Horizontal
- (c) procedural (d) substantive

7. Find the odd one out

- a) supervision
- b) leadership
- c) co-ordination
- d) communication

8. Functional authority ensures ---

- a)Co-Ordination
- b)Control
- c)Better division of labour
- d)None.

INIT – V

DEFINITION OF BUSINESS ETHICS

- **Principles and Values:** Business ethics is based on core principles like honesty, integrity, fairness, and accountability.expand_more These principles are reflected in the values that a company upholds.expand_more
- **Decision-Making:** Every business decision, from pricing to how employees are treated, has ethical implications.expand_more Business ethics helps companies consider the impact of their choices and make decisions that are not just profitable, but also responsible.expand_more
- **Stakeholders:** A business doesn't exist in a vacuum.expand_more It has a responsibility to all its stakeholders, including customers, employees, suppliers, the community, and the environment. Business ethics encourages companies to consider the interests of all these groups.expand_more
- **Building Trust:** By acting ethically, businesses build trust with their stakeholders.expand_more this trust is essential for long-term success.

TYPES OF ETHICAL ISSUES

- **Personal ethics**

These can be questions about honesty, fairness, and integrity, such as whether or not to cheat on a test or tell a white lie.

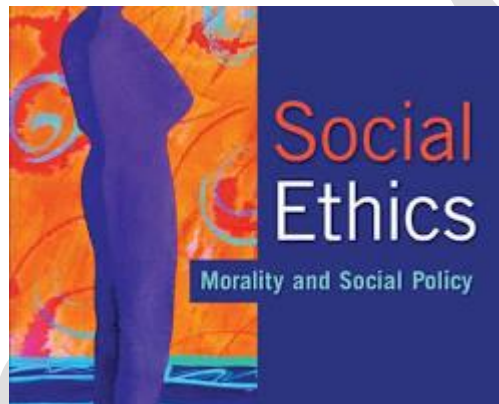


- **Professional ethics**

Govern the conduct of individuals within a particular profession. These codes of ethics typically address issues such as conflicts of interest, confidentiality, and competence. For example, a doctor

may have an ethical obligation to maintain patient confidentiality, even if it means not disclosing information to the police.

- **Social ethics**
- deal with the moral principles that apply to a group or society as a whole. These can be questions about justice, equality, and the common good, such as whether or not it is ethical to have a welfare system or to allow capital punishment.



In addition to these three broad categories, there are many specific ethical issues that can arise in different contexts. Some of the most common ethical issues include:

- **Bioethics** deal with the ethical implications of advances in medical technology, such as cloning and gene editing.
- **Business ethics** focus on the ethical behavior of businesses, such as issues of fair trade, environmental sustainability, and corporate social responsibility.
- **Environmental ethics** address the relationship between humans and the natural world, such as the ethics of pollution, deforestation, and climate change.
- **Information ethics** deal with the ethical use of information technology, such as issues of privacy, security, and censorship.

IMPORTANCE OF ETHICS

- **Guiding Principles:** Ethics provide a framework of moral principles that guide our decisions and actions. These principles help us distinguish between right and wrong, fair and unfair, and just and unjust.
- **Positive Interactions:** By following ethical principles, we build trust and respect in our relationships with others. This fosters cooperation, fairness, and a sense of community.
- **Decision-Making Framework:** Ethics equip us with a framework for navigating complex situations. They help us consider the potential consequences of our actions and make choices that align with our values.
- **Societal Well-Being:** Ethical behavior on a large scale contributes to a well-functioning society. It reduces crime, corruption, and exploitation, and promotes social justice and equality.
- **Technological Advancements:** As technology continues to develop, ethical considerations become even more important. New fields like artificial intelligence require careful consideration of ethical implications to avoid unintended harm.

VALUES IN BUSINESS ETHICS INTERNAL AND EXTERNAL

Business ethics act as a compass for an organization, guiding its behavior towards stakeholders both inside and outside the company. Here's a breakdown of how values play out internally and externally:

Internal Values

- **Honesty and Transparency:** Building trust with employees through open communication and fair practices. This can include clear communication about performance expectations, ethical reporting systems, and fair compensation.
- **Respect and Fairness:** Creating a work environment that fosters respect for all employees, regardless of position or background. This can involve providing equal opportunities for advancement, treating everyone with dignity, and fostering a culture of open communication.

- **Accountability:** Ensuring everyone within the organization takes responsibility for their actions and decisions. This can involve clear performance metrics, ethical reporting systems, and holding everyone accountable to the same standards.

External Values

- **Customer Focus:** Providing customers with high-quality products and services while being honest about pricing and functionality.
- **Social Responsibility:** Considering the impact of the business on the environment and the community. This can involve sustainable practices, fair labor standards, and giving back to the community.
- **Fairness to Suppliers and Partners:** Building strong relationships with suppliers and partners based on mutual respect and fair treatment. This can involve on-time payments, honoring contracts, and collaborating effectively.

The Interconnectedness

Internal and external values are intertwined. A company that fosters a culture of honesty and fairness internally is more likely to be honest and fair in its external dealings. Conversely, a company that prioritizes short-term profits over ethical behavior will likely struggle to retain employees and build trust with customers and partners.

Benefits of a Strong Value System

- **Stronger Reputation:** A company known for its ethical behavior attracts and retains top talent, builds customer loyalty, and enjoys a positive reputation in the marketplace.
- **Reduced Risk:** Ethical behavior helps avoid legal issues, fines, and reputational damage.
- **Employee Morale and Productivity:** Employees who believe their company is ethical are more likely to be engaged, productive, and loyal.

ROLE OF BUSINESS ETHICS

Business ethics play a critical role in how companies operate and interact with the world around them. It's essentially a set of moral principles that guide a business's decision-making and actions. Here's a closer look at the role of business ethics:

1. Building Trust and Reputation:

- Ethical practices foster trust with customers, employees, investors, and the public. Customers are more likely to do business with companies they perceive as honest and transparent. Similarly, ethical treatment can attract and retain a talented workforce.

2. Long-Term Success:

- Ethical behavior can lead to long-term success. Companies that cut corners or engage in unethical practices may face legal repercussions, damaged reputations, and ultimately, harm their bottom line.

3. Considering Stakeholders:

- Business ethics go beyond just following the law. It requires considering the impact of decisions on all stakeholders, not just shareholders. This includes employees, customers, suppliers, the community, and the environment.

4. Promoting Sustainability:

- Ethical businesses often consider environmental and social responsibility. This can involve using sustainable practices, fair labor standards, and giving back to the community.

ENVIRONMENT PROTECTION

Here are some of the reasons why environmental protection is important:

- **It protects human health:** A clean environment is essential for human health. Pollution can cause a variety of health problems, including respiratory diseases, heart disease, and cancer. Environmental protection helps to reduce pollution and protect human health.
- **It protects ecosystems:** Ecosystems are complex networks of living organisms and the nonliving environment. They provide us with a variety of essential services, such as clean air and water, food, and flood control. Environmental protection helps to protect ecosystems and the services they provide.
- **It conserves biodiversity:** Biodiversity is the variety of life on Earth. It is important for the health of ecosystems and for the provision of essential services. Environmental protection helps to conserve biodiversity.
- **It sustains us for the future:** Environmental protection is essential for ensuring that we have a healthy planet for future generations. By protecting the environment, we are ensuring that we have the resources we need to live healthy and productive lives.

There are many things that individuals, groups, and governments can do to protect the environment. Here are a few examples:

- Individuals can reduce their consumption of resources, recycle and compost, and avoid using harmful chemicals.
- Groups can work to educate the public about environmental issues and advocate for environmental protection policies.
- Governments can enact laws and regulations to protect the environment, invest in renewable energy sources, and support sustainable development.

Environmental protection is a complex issue, but it is one that is essential for our future. By working together, we can create a healthier planet for ourselves and for future generations.

RESPONSIBILITIES OF BUSINESS

Businesses have a wide range of responsibilities. These can be broadly categorized into two areas: legal responsibilities and social responsibilities.

Legal Responsibilities

- **Following Laws and Regulations:** Businesses must comply with all applicable laws and regulations, including those related to labor, safety, health, the environment, and taxation. Failure to do so can result in fines, penalties, or even closure.
- **Paying Taxes:** Businesses are required to pay taxes on their profits, as well as other taxes such as sales tax and property tax.
- **Providing a Safe Workplace:**
- Businesses have a responsibility to provide a safe workplace for their employees. This includes taking steps to prevent accidents and injuries, and providing appropriate training and safety gear.

Social Responsibilities

- **Being Ethical:**

Businesses should conduct their affairs in an ethical manner. This means being honest and fair in their dealings with customers, suppliers, employees, and the community.

- **Protecting the Environment:**

Businesses have a responsibility to protect the environment. This includes minimizing their impact on pollution, waste, and resource consumption.

- **Giving Back to the Community:**

Many businesses choose to give back to the community by supporting charitable causes, volunteering, or sponsoring local events. The importance of social responsibility is growing. Consumers, investors, and employees are increasingly looking to do business with companies that are seen as responsible. By taking their social responsibilities seriously, businesses can build goodwill, improve their reputation, and attract a wider range of stakeholders.