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PRINCIPLES OF MANAGEMENT

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Management

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1.1 Management: Definition

Management is the act and science of getting things done by proper planning, organizing, directing, coordinating and control. Management in some form or another is an integral part of living and is essential wherever human efforts are to be undertaken to achieve desired objectives. The basic ingredients of management are always at play whether we manage our lives or our business.

A study of various people around the world shows good examples of organizational structures and organizational evolution over the years. A village open market in a tribe and a large department store in a modern city serve the same needs in a similar fashion, which is putting together things that people need. While the tribal organization was simple in nature, the modern organization is much more sophisticated and complex with many technological innovations. However, the basic form of management and organizational structure seem to have existed since the beginning of organized human activity.

Management is the act of getting people together in order to fulfill desired goals and objectives using available resources in an efficient and effective manner.

1.2 Nature, Scope and Functions of Management

In this section, we will discuss the nature, scope and functions of management.

1.2.1 Nature of Management

In spite of the growing importance of management as an academic discipline thereby contributing to the quality of human life, the concept is still clouded by certain misconceptions. No doubt, management as an academic body of knowledge has come a long way in the last few years. It has grown and gained acceptance all over the world. Yet, it is a paradox that the term 'management' continues to be the most misunderstood and misused. A study of the process of management reveals the following points about the nature of management.

1.2.2 Management is a universal process

Where there is human activity, whether individual or joint, there is management. The process of management can be noticed in all spheres of life. The basic nature of management activity remains the same in all arenas, whether the organization to be managed is a family, club, trade union, trust, municipality, business concern or the government. Slight variations in approach and style may be there from organization to organization, but the management activity is basically the same everywhere.

1.2.3 Management is a factor of production

Management is regarded as a factor of production. Just as land, labour and capital have to be brought together and put to effective use for the production and distribution of goods and services, similarly managerial skills have also to be acquired and effectively used for the purpose.

In the modern industrial set-up, qualified and efficient managers are essential to reap the fruits of huge investment in business where the pattern of production has become capital-intensive. In fact, in this scenario, the more important would be the role of management.

1.2.4 Management is goal oriented

The most important goal of all management activity is to accomplish the objectives of an enterprise. These objectives may be economic, socio-economic, social and human and thereby management at different levels seeks to achieve these in different ways. However, at all times, management has definite objectives to pursue and it employs all the resources at its command— men, money, materials, machines and methods in the pursuit of the objectives.

1.2.5 Management is supreme in thought and action

Determination of the objectives of an enterprise tests the collective wisdom and sense of imagination of its management. The objectives should be neither too high sounding or difficult to achieve, nor too low pitched to rob the workers of their sense of achievement. However, mere setting of objectives will be of no avail, if there is no vigorous action to achieve them.

Managers set realizable objectives and then mastermind action on all fronts to accomplish them. Managers belong to that rare breed of men who are not only aware of what is to be achieved and how, but also possess the capability and courage to accept the challenges of doing it.

1.2.6 Management is a group activity

An enterprise will not be able to achieve its objectives if only one or a few individuals or departments are efficient and the rest are inefficient. The calibre of each individual and department needs to be efficient in order to make a project successful. For example, even the best performance by the production department will become

Meaning less if the sales department does not make efforts to sell the products or if the finance department does not ensure adequate availability of funds.

For the success of an enterprise, it is necessary that all human and physical resources at its disposal are efficiently coordinated to attain the maximum levels of productivity. It is well-known that the combined productivity of different resources will always be much higher than the total of individual productivity of each resource. The test of managerial ability lies in coordinating the various resources and to achieve maximum combined productivity. With proper management, one plus one does not mean two but eleven. This is also called the multiplier effect of management activity

1.2.7 Management is a dynamic function

Management is a dynamic function of a collective enterprise that is constantly engaged in casting and recasting the enterprise in the world of an ever-changing business environment. Not only this, it also sometimes initiates moves that reform and alter the business environment. If an enterprise is well-equipped to face the changes in business environment brought about by economic, social, political, technological or human factors, it can soon adapt itself to a changed environment or make innovation to attune itself to it. For example, if there is a fall in the demand for a particular product, the enterprise can be kept in readiness to explore new markets or switch over to production of new goods with ready demand.

1.2.8 Management is a social science

In other words, management means getting the tasks done by different people with different qualities. This involves dealing with individuals, each one of whom has a different level of sensitivity, understanding and dynamism. In fact, no definite principles or rules can be laid down in respect of human behaviour. These principles change from individual to individual and from situation to situation. No doubt, a manager may seek guidelines from established principles and rules but he cannot base his decisions on them.

1.2.9 Management is an important organ of society

Management as an activity has carved for itself an important place in society. Management shares a direct relationship with society. While the society influences the managerial actions, managerial actions influence the society. By their decisions, management of large undertakings influence the economic, socio-political, religious, moral and institutional behaviour of the members of society. This creates an impact on the social and moral obligations of business management, which cannot be easily ignored.

1.2.10 Management is a system of authority

It is the job of management to bring about a harmonious arrangement and pattern among the different resources employed in an undertaking. In fact, management's role as a factor of production forces itself to be methodical in plans and procedures and on the other hand systematic and regular in their implementation. For this, it is necessary that the authority vested in the management is to be exercised properly and correctly. Therefore, this calls for well-defined lines of command, delegation of suitable authority and responsibility at all levels of decision-making. Unless there is proper balance between authority and responsibility at each level of decision-making, the organization might not succeed in the task of accomplishment of its objective.

1.2.11 Management is a process

Management is an activity consisting of a distinct process, which is known as the management process. This process is primarily concerned with the

important task of goal achievement. No business enterprise can achieve its objectives until and unless all the members of the unit make an integrated and planned effort under the directions of central coordination agency. In management terminology, this central coordinating agency is technically known as 'management' and the methodology of getting things done is known as 'management process'. The process, in general, is defined as a series of actions or operations conducted towards an end. The logic of the management process is that particular functions are performed in a sequence within a given period of time. In other words, the functions that are performed by a manager and the sequence in which they are performed are together called the 'management process.'

The processes such as planning, organizing and actuating involved in the achievement of business goals together form the management process.

1.2.12 Management: a Science, an Art or a Profession

Generally, a controversy arises over the question whether management is a science or an art. It is said management is the oldest art and the youngest science. This explains the changing nature of management. However, to have an exact answer to the question, it is necessary to understand the meaning of the terms 'science' and 'art'.

1.2.13 Management as a science

Before trying to examine whether management is a science or not, we have to understand the nature of science. Science may be described as a systematized body of knowledge pertaining to an act of study and contains some general truths explaining past events or phenomena. It is systematized in the sense that relationships between variables and their limits have been ascertained and underlying principles have been discovered.

It may be observed that management too is a systematized body of knowledge and its principles have evolved on the basis of observation not necessarily through the use of scientific methods. However, if we consider science as a discipline in the sense of our natural science, one is able to experiment by keeping all factors and then varying them one at a time. In natural science, it is possible to repeat the same conditions over and over again, which enables the scientist to experiment and obtain a proof. This kind of experimentation cannot be carried out in the art of management since we are dealing with the human element. This puts a limitation on management as a science. It may be designated as an 'inexact' or 'soft science'.

1.2.14 Management as an art

Art comprises the 'know-how to accomplish a desired result'. The focus is on doing things in one way. As the saying goes 'practice makes a man perfect', constant practice of the theoretical concepts (knowledge base) contributes to the formation of skills. The skills can be acquired only through

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practice. In a way, the attributes of science and art are two sides of a coin. Medicine, engineering, accountancy and the like require skills on the part of the practitioners and can only be acquired through practice. Management is no exception. For example, a university gold medallist in surgery may not necessarily turn out to be a good surgeon; similarly a management graduate from the best of the institutes may not be very effective in practice. In both the cases, the application of knowledge acquired through formal education requires ingenuity, correct understanding of the variables in the situation, pragmatism and creativity in finding solutions to problems.

Effective practice of any art requires a thorough understanding of the science underlying it. Thus science and art are not mutually exclusive, but are complementary. Executives who attempt to manage without the conceptual understanding of the management principles and techniques have to depend on luck and intuition. With organized knowledge and the necessary skill to use such knowledge, they have a better chance to succeed. Therefore, it may be concluded that management is both a science and an art.

1.2.15 Management as a profession

‘Profession’ can be defined as a specialized kind of work practiced through specialized knowledge and is bound by a common vocabulary requiring a certain standard of practice under a code of ethics regulated by a recognized body. In order to understand the concept of management as being a profession or not, it becomes imperative to make a comparative analysis with other professions such as medicine, law, accountancy, etc. A comparison should be made with other professions on the basis of the factors like systematic knowledge, procedure of acquiring knowledge, performance-based status, code of ethics and commitment reveal that management is different from other professions.

1.2.16 Management vs Administration

The terms ‘management’ and ‘administration’ are often used synonymously. According to Dalton E. McFarland, ‘In business firms, administration refers to higher, policy-determining level. One seldom regards the first-line supervisor as an administrator, instead he is a manager. In the health care fields and in many service organization, problems (such as individual’s chronic disease) are managed but programmes (such as flu vaccine distribution) are administered.’

Administration may be defined as ‘the guidance, leadership and control of the efforts of a group of individuals towards some common goals’. Often the terms administration and management are used together as administrative management. Administrative management is different from ‘operative management’, which is concerned with the operational aspects of a business.

Some experts like Oliver and Sheldon distinguished administration from management by suggesting definitions of their own.

Administration is considered as a function of an organization that is concerned with policy determination, coordination of finances, production, distribution and control of the executives that are required for establishing an organization. Contrary to this, management is the process that is concerned with the execution of the policies within certain limits set by the administration and employment of the organization for the purpose of accomplishing objectives laid down by the administration.

1.2.17 Essence of administration

Ordway Tead has analysed the process of administration into distinct elements that are as follows:

Establishing the objectives Formulating broad policies Stimulating the organization
Evaluating the performance Looking ahead

Thus, management actions are directed towards attaining aims and objectives that are laid down by the administration.

It is, therefore, clear that administration is more important at higher levels whereas management is more important at lower levels in the firm's organizational pyramid.

Thus, administration is a top-level function while management is a bottom-level function. The fundamental point of distinction between these two aspects is that the former is the process of formulating policies and goals of the organization while the latter directs and guides the operational or functional aspects of the organization towards achieving the objectives set by the former.

A closer look reveals that the scope of management is broader than that of administration. It is true that planning is more important and broader at higher levels of organization. Yet, it is equally valid that every level of management, irrespective of its hierarchy in the organizational setup, has to do some sort of planning and policy making along with their execution. Therefore, management includes both administrative management and operative management

1.2.18 Scope of Management

Although it is difficult to precisely define the scope of management, the following areas are included in it:

1. **Subject matter of management:** Planning, organizing, directing, coordinating and controlling are the activities included in the subject matter of management.
2. **Functional areas of management:** These are as follows:
 - ✓ Financial management includes accounting, budgetary control, quality control, financial planning and managing the overall finances of an organization.
 - ✓ Personnel management includes recruitment, training, transfer promotion, demotion, retirement, termination, labour-welfare and social security industrial relations.
 - ✓ Purchasing management includes inviting tenders for raw materials, placing orders, entering into contracts and materials control.
 - ✓ Production management includes production planning, production control techniques, quality control and inspection and time and motion studies.
 - ✓ Maintenance management involves proper care and maintenance of the buildings, plant and machinery.
 - ✓ Transport management includes packing, warehousing and transportation by rail, road and air.
 - ✓ Distribution management includes marketing, market research, price-determination, taking market-risk and advertising, publicity and sales promotion.
 - ✓ Office management includes activities to properly manage the layout, staffing and equipment of the office.
 - ✓ Development management involves experimentation and research of production techniques, markets etc.
3. **Management is an inter-disciplinary approach:** For the correct implementation of management, it is important to have knowledge of commerce, economics, sociology, psychology and mathematics.
4. **Universal application:** The principles of management can be applied to all types of organizations irrespective of the nature of tasks that they perform.
5. **Essentials of management:** Three essentials of management are as follows:
 - Scientific method
 - Dealing with uncertainties

- Human relations
 - Quantitative technique
6. **Modern management is an agent of change:** The management techniques can be modified by proper research and development to improve the performance of an organization.

1.3 Functions of Management

Functions of management can be studied through two broad functions of management: managerial functions and organizational functions.

1. Managerial Functions

In addition to the ten managerial roles as described, the job of a manager is most often described in terms of management functions. There are four basic and interrelated functions that managers perform utilizing human, financial, physical and information resources in order to achieve the organizational goals. These managerial functions are planning, organizing, directing, coordinating and controlling.

In addition to the five managerial functions of planning, organizing, directing and controlling, there are ten managerial roles coordinating as well. These roles can be defined as the organized sets of behaviours identified with the position. These roles were developed by Henry Mintzberg in the late 1960s after a careful study of executives at work. All these roles, in one form or another, deal with people and their behaviour. These ten managerial roles are divided into three categories. The first category of 'interpersonal roles' arises directly from the manager's position and the formal authority bestowed upon him. The second category of informational roles is played as a direct result of the interpersonal roles and these two categories give rise to the third category of decisional roles.

Check Your Progress

1. What is the need for management?
2. Which are the three essentials of management?
3. What is the fundamental point of distinction between administration and management?

2. Organizational Structures

The organizational structure in a company defines the way in which the employee hierarchy operates and the way in which departments are categorized and how they are interlinked to result in overall effective functioning.

Organizational structure can be defined as the way in which an organization aligns or realigns itself. Every organization aligns itself in its own way and this gives rise to different organizational charts. Organizational structures depend the nature of work carried out in the organization. Some organizations, such as IT firms, hospitals and academic institutions prefer a horizontal structure, while others may prefer a more vertical structure.

1.4 Importance of organizational structure

Planning, organizing, directing, coordinating and controlling are the five major pillars of management. In order to effectively execute these tasks, a systematic organizational structure is highly essential. The organizational structure defines the range of control and line of command flow.

1.5 Suggested Readings

1. Ramaswamy.T, Principles of Management [Eight Edition]
Himalaya Publishing Home Pvt Ltd, Mumbai. 2012,
2. L.M .Prasad,Principles and Practice of Management,Sultan Chand&Sons 2015
3. Koontz and O'Donnell,Management:A Global Perspective.McGrawHill,1998

1. The need for management is as follows:
 - To meet the challenges of change
 - For effective utilization of the seven Ms
 - For the development of resources
 - Management directs the organization
 - Integrate various interests
 - Management provides stability
 - Management provides innovation
 - Management provides coordination and establishes team spirit
 - To tackle business problems
 - A tool of personality development
2. The three essentials of management are as follows:
 - Scientific methods
 - Human relations
 - Quantitative technique
3. The fundamental point of distinction between administration and management is that the former is the process of formulating policies and goals of the

organization while the latter directs and guides the operational or functional aspects of the organization towards achieving the objectives set by the former.

1. The classical approach is also known as Functional Approach, Empirical Approach and Management Process Approach.
2. The external environment can be divided into two levels, namely, the “macro-environment” and the “task environment”.
3. The purpose of conducting a social audit is to get a comprehensive picture of organizational performance, to determine strengths and weaknesses of various approaches and to evaluate and appraise such performance from all aspects.

1.7 SUMMARY

- Management is a set of principles relating to the functions of planning, organizing, directing and controlling, and the application of these principles in harnessing physical, financial, human and informational resources efficiently and effectively to achieve organizational goals.
- Management is the act and science of getting things done by proper planning, organizing, directing, coordinating and control.
- The functions of management include measuring quantity, adjusting plans and meeting targets.
- Management is regarded as a factor of production. Just as land, labour and capital have to be brought together and put to effective use for the production and distribution of goods and services, similarly managerial skills have also to be acquired and effectively used for the purpose.
- The most important goal of all management activity is to accomplish the objectives of an enterprise.
- There are four basic and interrelated functions that managers perform utilizing human, financial, physical and information resources in order to achieve the organizational goals. These managerial functions are planning, organizing, directing, coordinating and controlling.
- Organizational structure can be defined as the way in which an organization aligns or realigns itself.
- The practice of management is as old as human civilisation and much of the progress of mankind over the centuries may be attributed to the effective management of resources.
- The classical approach or the empirical approach to management is viewed as a systematic network for different functions like planning, organizing, directing, staffing and controlling.

1.8 KEY WORDS

- **Management:** A problem solving process of effectively achieving organizational objectives through the efficient use of scarce resources in a

Notes

changing environment.

- **Administration:** A function of an organization that is concerned with policy determination, coordination of finances, production, distribution and control of the executives that are required for establishing an organization.
- **Empirical School:** This approach to management is taken by scholars who identify management as the study of experience, followed by efforts to learn from the experience and then transfer the knowledge to practitioners and students.
- **Social responsibility:** The notion that corporations have an obligation to the constituent groups in society other than stockholders and beyond that prescribed by law or union contract.

UNIT – II PLANNING

Planning

Notes

Structure

2.1 Planning

2.1.1 Purpose of Planning

2.2 Nature of Planning

2.3 Principles of Planning

2.4 Planning Premises

2.5 Planning and Decision Making: Planning Process

2.6 Suggested Readings

2.7 Answers To Check Your Progress Questions

2.7 Summary

2.1 Planning

A number of management thinkers have given their own definition of planning; with the central core being that of making decisions now that will affect the future of the company. As such the planning process has three characteristics. These are:

Planning is anticipatory in nature. A decision must be made now as to what to do and how, before it is actually done.

Planning is a system of decisions. It involves a process of making decisions which will define what is to be achieved in the future and the formulation of action plans for achievement of goals.

It is focussed on desired future results. Planning is a means of ensuring that the important organizational objectives are accomplished as and when desired.

2.1.1 Purpose of Planning

1. Planning is essential in modern business. The growing complexity of the modern business with rapid technological changes, rapid changes in consumer tastes and growing tough competition necessitates orderly operations not only in the current environment but also in the future environment. Since planning takes a future outlook, it takes into account the possible future developments.

2. Planning is related to performance. It can be expected and there is evidence to support the hypothesis that companies that engaged in formal planning consistently performed better than those with no formal

planning, and improved their own performance over a period of time. The performance was measured by such factors as return on investment, sales volume, growth in earnings per share, etc.

3. **Planning puts a focus on objectives.** The effectiveness of formal planning is primarily based upon clarity and specificity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these objectives. This ensures maximum utility of managerial time and efforts.
4. **Planning anticipates problems and helps in the smooth flow of operations.** Since planning is involved in forecasting the future, it minimizes the chances of haphazard and hurried decisions. Since the needs of the organization are anticipated in advance, the proper acquisition and allocation of resources can be planned thus minimizing wastage ensuring optimal utility of these resources.
5. **Planning is necessary to facilitate control.** Since plans are made to achieve objectives, periodic reviews of operations can determine whether the plans are being implemented correctly. Well developed plans can aid the process of control in the following ways:
 - (a) Establish advanced warning of possible deviations from the expected performance. The deviations in production, sales, profits, etc. may come to light during periodic investigations and remedial “action can be taken.
 - (b) Provide quantitative data. There may be provision in plans to compare the actual performance, in quantitative terms, concerning production or sales, with industry statistics or market forecasts.
6. **Planning helps in the process of decision-making.** Since planning specifies the actions and steps to be taken in order to accomplish organizational objectives, it serves as a basis for decision-making about future activities. It also helps managers to make routine decisions about current activities since the objectives, plans, policies, schedules, etc. are clearly laid down.

2.2 Nature of Planning

A good plan can be identified by certain characteristics. Some of these characteristics are given below:

1. A good plan is based upon clear, well-defined and easily understood objectives. General objectives like improving morale or increasing profits are ambiguous in nature and do not lend to specific steps and plans. If possible, objectives must be quantified for sake of simplicity.
2. A good plan must be simple and comprehensive. It should be simple so that all employees can grasp its significance and it can be easily put into operation. It should be detailed enough so that it covers all aspects of the operations that are necessary to achieve objectives.
3. It should be well-balanced, but flexible. A good plan should be well-balanced so that the existing resources are properly utilized for all functions and that short-term gains are not at the cost of long-term gains and vice-versa. Similarly, it should be flexible enough to incorporate any changes in these resources, if necessary. Additionally, it should be responsive to changed conditions so that if future events do not follow the anticipation, the same plan can be modified and adopted to the altered situation.
4. Every plan should be time-bound. Even though planning is an attempt to anticipate the future, the time period allowed for achieving goals should be reasonable. Long-range planning has more uncertainties built into it due to difficulty in correctly anticipating events for a longer period of time. Hence the time period covered should be reasonable and reasonably stable.
5. The plans should involve participation by subordinates. Planning should not be an exclusive responsibility, of top management. Subordinates will not be responsible if a plan is imposed upon, them. Also; subordinate participation
Generally ensures the sincere and serious effort on their part to make the plan successful.
6. Characteristic of unity, planning is initiated by different managers of different divisions at different times. It is necessary that a good plan should incorporate all these departments, maintaining consistency, and unity of purpose at all times and focussing on the overall objective.

A good plan strives for optimal utility of physical as well as human resources in unison and harmony. According to David W.Ewing, "Planning is a two-sided affair. Planners may think only of the formal, economic, physical, and technical resources side when they develop a program. But if the human side is not attended to properly, then chances are that the planning will not be successful."

2.3 Principles of Planning

These principles are primarily based upon Gary Dressler. They are as follows:

1. Keep aims crystallized
2. Develop accurate forecasts
3. Involve subordinates in the planning process
4. The plan must be a sound one
5. Assign planning responsibility to the right people
6. Don't be-over-optimistic
7. Decide in advance the criteria for abandoning a project
8. Keep your plan flexible
9. Review long-range plans on a short-range
10. Fit the plan to the environment.

2.4 Planning Premises

As we have seen before, planning premises refers to the forecasts or predictions about the environment in which the plans are going to operate. They are basically assumptions or anticipated environmental conditions. Premises can be of varied types:

- ✓ Internal (philosophy, worker's skills, company policies) and external premises (cultural, technological, political environment, etc.)
- ✓ Tangible (hours of work, units of production and sale) and intangible (employee's attitude, morale, goodwill) premises
- ✓ Controllable (money, machine, material), Semi-controllable (advertising strategy) and non-Controllable (natural calamities, government's policies, consumer behaviour) premises
- ✓ Constant (machine, money, men) and variable (union-management relationships) premises

2.5 Planning and Decision Making: Planning Process

Planning can be considered as a series of sequential steps. These steps are:

Step (1). Establish and define clearly the central and overall objectives of the organization. A well-defined objective can make the difference between success and failure of an enterprise. It clearly defines the product or service as well as the purpose of the company. Along with the overall mission of the

company, it is also necessary to establish the specific objectives and goals. For example, the over-all objective of a hospital is to provide quality health care.

Step (2). Determine your current position relative to your objectives. Make an assessment of your strengths and weaknesses. This will show the distance the company has to cover before “reaching its goals. The analysis of current strengths and weaknesses would determine if the goals are realistic and achievable and whether they need to be re-evaluated and modified.

Step (3). Develop forecasts and future conditions. In order to effectively plan, it is important and necessary to forecast as accurately as possible, the future trends that will affect the company’s standing and operations. The factors of forecast will include general economic conditions, changes in consumer attitudes, new technological and product developments, possible competitive strategies and any adverse legal developments.

Step (4). Preparation of derivative plans. Once an overall plan has been adopted, it is necessary to develop other derivative plans for each segment of the company, to support the formal plan. Derivative or sectional plans are developed in each area of the business, but within the framework of the primary plan in order to coordinate and integrate programs and policies of all sections of the enterprise.

Step (5). Implement the plan and evaluate its results. The success of the plan would depend upon how effectively the plan is implemented. This implementation is going to require a combination of all skills and coordination of all factors. Also in this ever-changing dynamic environment, it is necessary to keep the plan open to evaluation and modification. The plans should be periodically re-evaluated to measure its progress and effectiveness so that any deviations can be corrected and any adjustments can be made.

Check Your Progress

1. What ensures maximum utility of managerial time and efforts?
2. What are the different types of premises?
3. State the characteristics of a clear mission statement.

2.6 Suggested Readings

1. Ramaswamy.T, Principles of Management [Eight Edition]
Himalaya Publishing Home Pvt Ltd, Mumbai. 2012,
2. L.M .Prasad,Principles and Practice of Management,Sultan
Chand&Sons 2015
3. Koontz and O'Donnell,Management:A Global
Perspective.McGrawHill,1998.

2.7 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Objectives ensure maximum utility of managerial time and efforts.
2. The different types of premises are: internal and external, controllable, semi- controllable and uncontrollable; tangible and intangible; and constant and variable premises.
3. A clear mission statement is concise, focused, worthy imaginative and realistic.
4. Management by objectives was first described and advocated by Peter Drucker in 1954 in “The Practice of Management.
5. Standing plans are those that remain roughly the same for long periods of time and are used in organizational situations that occur repeatedly.
6. Synergic plans refer to plans which involve team work. Team work is significant for any organization or company.
7. Once an overall plan has been adopted, it is necessary to develop other derivative plans for each segment of the company, so as to support the formal plan. Derivative or sectional plans are developed in each area of the business, but within the framework of the primary plan in order to coordinate and integrate programs and policies of all sections of the enterprise.

2.7 SUMMARY

- A number of management thinkers have given their own definition of planning, with the central core being that of making decisions now that will affect the future of the company.

- 4 Nature of planning: A good plan is based upon clear, well-defined and easily understood objectives, Good plan must be simple and comprehensive. It should be well-balanced, but flexible, every plan should be time-bound, the plans should involve participation by subordinates, and planning must be initiated by different managers of different divisions at different times.
- 5 Principles of planning: Keep aims crystallized, . Develop accurate forecasts, The plan must be a sound one, Involve subordinates in the planning process, Assign planning responsibility to the right people, Don't be-over-optimistic, Decide in advance the criteria for abandoning a project, Keep your plan flexible, Review long-range plans on a short-range basis, Fit the plan to the environment, etc.
- 6 Planning premises refers to the forecasts or predictions about the environment in which the plans are going to operate. They are basically assumptions or anticipated environmental conditions. Premises can be of varied types: Internal and external premises, Tangible and intangible premises, Controllable, Semi-controllable and non-Controllable premises and Constant and variable premises.
- 7 MBO is the philosophy of management that emphasizes that managers and subordinates work together in identifying and setting up objectives and make plans together in order to achieve these objectives. These objectives should be consistent with the organization mission and goals.
- 8 Organization plans are usually divided into four types, namely *sign-post plans*, *synergic plans*, *standing plans* and *single-use plans*. Standing plans are those that remain roughly the same for long periods of time and are used in organizational situations that occur repeatedly. The most common kinds of standing plans are policies, procedures and rules. Single-use plans focus on relatively unique situations within the organization and may be required to be used only once. These plans can be subdivided into programmes and budgets.
- 9 Planning can be considered as a series of sequential steps. These steps are: Establish and define clearly the central and overall objectives of the organization, determine your current position relative to your objectives, Develop forecasts and future conditions, Preparation of derivative plans and Implement the plan and evaluate its results.

UNIT-III DECISION MAKING WITH SPECIAL REFERENCE TO H. SIMON

Structure:

3.1 Meaning

3.2 Simons Concept of Decision Making

3.3 Bases or Factors

3.4 Process or Stage

3.4.1 Intelligence Activity

3.4.2 Design Activity

3.4.3 Choice Activity

3.5 Programmed and Non Programmed Decisions

3.5.1 Programmed And Non Programmed Decisions

3.6 Suggested Readings

3.1 MEANING

Webster's dictionary define decision making as " the act of determining in one's own mind upon an opinion or course of action. "

According to Robert tannenbaum, decision making "involves a conscious choice or selection of one behavior alternative from among a group of two or more behavior alternatives."

Terry defined Decision making as "the selection of one behavior alternative-from two or more possible alternatives.

Thus, decision making means choosing one alternative from among various alternatives. It is essentially problem- solving in nature. Decision-making is closely related to policy- making, but they are not the same. Terry has clarified the difference between decision and policy ad follows. "A decision o is usually made within the guidelines established by policy. A polices relatively extensive, affects many problems, and id used again and again. In contrast, decision applies to a particular problem and has a non-continuous type of usage." classical thinkers did not attach much importance to decision making as an all pervasive activity related to all management functions like planning organizing coordinating controlling and so on. In the words of Fred luthans, " classical theorists such as fayol and Urwick weree constraints with decision making process only to the extent that it affect

delegation and authority while Frederick. W. Taylor alluded to the scientific method only as an ideal approach to making decisions."

The first comprehensive analysis of the decision making process is given by Chester Bernard. He observed, "The process of decisions is largely techniques for narrowing choice."

Sekler-Hudson rightly said : " decision making in the government is plural activity. One individual may pronounce the decision, but many contribute to the process of reaching the decision. It is the part of the political system."

Millet mention three factors which should be examined in order to you understand the decision making process:

- i. Personal difference, among the individuals that make some decisive and other in decisive.
- ii. Role played by knowledge in decision making.
- iii. Institutional and personal limitations which circumscribe decision making.

3.2 SIMONS CONCEPT OF DECISION MAKING

Herbert A. Simo, is the foremost decision theorist he defined decision making as "the optimum rational choice between alternative course of action.,"

According to Simon, decision making pervades the entire organisation that is decisions are made at all levels of the organization. Hence he viewed an organization as a structure of decision makers. He equated, administration which decision making as every aspects of Administration revolve around decision making. He observed that decision making is an and all embracing activity subsuming all the administrative functions described as 'POCCC' by Fayol and 'POSDCORB' by Gulick.

Simon was very critical of the classical approach and its advocacy of principles of Administration having Universal application. He challenged their Universal validity and described them as "proverbs" occurring in mutually contradictory, pairs. He argued that before one can establish any immutable principles of Administration one must be able to describe exactly how and administrative organization looks and exactly how it works."

Simon observed before a Science can develop principles of administrative processes concept. Decision making is the most important activity of Administration. . . An administrative science is concerned with factual statements no place for Ethical statements in the study of science.

To sum- up Simon's concept of Administration has basic to for elements

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(i) The emphasis upon decision making approach as the alternative to the classical thinkers principles approach example structural approach and

(ii) The advocacy of empirical approach (value for approach) as against the the normative approach to the study of Administration.

As rightly observed by N. Uma Bhathy, Simon propose new concept of Administration based on theories and logical positivism with focus on decision making."

3.3 BASES OR FACTORS

Sekler-Hudson Devi gave list of following 12 factors that which are are considered in decision making:

- a. Legal limitations
- b. Budget
- c. Mores
- d. Facts
- e. History
- f. Internal morale,
- g. Future as anticipated,
- h. superior
- i. Staff
- j. Staff
- k. Subordinates.

Simons bases of decision making

According to Simon, every decision is based upon two premises the factual premises and the value premises. A fact is statement of reality while a value is an expression of preference. A factual premise can be proved by observable and measurable means that is it empirically., that it can only be subjectively assured as valid.

According to Simon, the value premises or are concerned with their choice of ends of Action while, the factual premises on or concerned with the choice of means of action. He stated that in so fare as decision lead to the selection of final goals, we can be called as, 'value judgments'(i. E, the value component predominates), and in so far (decisions) involved implementation of such goals, they can be called 'factual judgments' (i. e. The factual component predominates.)

3.4 PROCESS OR STAGE

Terry lays down the following sequence of steps in decision making.

- i. Determine the problem.
- ii. Acquire general background information and different view points about the problem.
- iii. State what appears to be there best course of action.

- iv. Investigate the proposition and a tentative decision.
- v. Evaluate tentative decision.
- vi. Make a decision and put it to effect Rustom
- vii. Institute follow app and if necessary modify decision in the light of result obtained.

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Simons stages of Decision - making

According to Simon decision making comprises three principal phases, they are :

3.4.1 INTELLIGENCE ACTIVITY

Time Simon called the first face of decision making process as an process intelligence activity(borrowing the military meaning of intelligence.) It involves finding occasions for making a decision. According to Simon the executive spend large fraction of the their time surviving the economic, technical, political and social environment to identify new conditions that call for a new actions.

3.4.2 DESIGN ACTIVITY

The second phase also called the design activity consists of inventing developing and analysing possible courses of action that is is finding alternative course of action. Simon believe that the executive spend and even largest fraction of their time, individually aur with their, Associates seeking to invent design and develop possible courses of action for handling where your decision is needed.

3.4.3 CHOICE ACTIVITY

Simon called last phase in decision making as thechoice activity. It involves selecting fraction of their time in choosing among alternative actions already developed and analysis for their consequences to meet an identified problem.

According to Simon, these three phase are closely related to the stages in Problem solving first described by john Dewey (1910).They are(a) what ud the problem?(b) what are the alternatives?(c) Which alternatives is best?

Simon concludes that in general Intelligence activity proceeds design and design activity choice. The cycle of phases is however for more complex then this sequence suggest. Each phase in making year particular decision is in itself a complex decision making process. The design phase.,for example may call for new intelligence activities; problems at any given level generate subproblems that in turn their intelligence design and choice p h a s e s and so on. There are wheels with in wheels. Nevertheless the three e large phases are often clearly discernible as the organisational decision process un folds.

3.5 CLASSIFICATION

The decisions are classified into various type by various thinkers.

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3.5.1 PROGRAMED AND NON PROGRAMMED DECISIONS

Herbert A. Simon has classified decisions into programmed and non-programmed. Decision To the extent that they are repetitive and routine, so that a definite procedure has been, worked out for handling them and they don't have to be treated de novo each time they occurs. It is a decision making by precedent.

Decisions are none programmed to extent that they are novel un structured consequential. There is no cut - and dried - method for handling the problem because it has not arisen before, aur because it precise nature and structure are elusive or complex, , because it is so important that it deserves custom tailored treatment. Simon has identified the traditional as well as modern techniques of program and none programmed decisions. These are mentioned below in table 4.1

Technique for Programmed and non-Programmed Decisions

Types of decisions	Traditional Techniques	Modern Techniques
Programmed : Routine, Respective decisions organization develops specific processes for handling them.	1. Habit 2. Clerical routine 3. Organization structure: Common expectations A system of sub goals Well- defined information channels.	1. Operations Research: Mathematical analysis models. 2. Electronic data processing

Types of decisions	Traditional Techniques	Modern Techniques
Non programmed: One-shot, ill-structured, novel, policy decisions Handled by general problem solving processes.	1. Judgment, intuition and creativity. 2. Rules of thumb 3. Selection and training of executives.	Heuristic problem- solving techniques applied to(a) training human decision makes(b) constructing heuristic computer.

Simon and March have stated that the administrator who is responsible for both routine activities under long term planning devotes greater the share of his time on routine activities. This results in weather postponement or avoidance of long-term decisions. This phenomenon is called by them as "Gresham' law of planning". It implies that routine drives out non-programmed activity.

Generic and unique decisions

Peter drucker is his popular book the practice of Management classified decisions into generic and unique decisions. these resembles program and non programmed decisions respectively.

Organizational and personal decisions

Chester Bernard classified decisions into organisational and personal decisions. The former are taken by an executive in his official capacity that is as a member of his organisation while the latter are taken by an executive in his Individual capacity that is is not as a member of his organisation.

Policy and operating decisions

Sansar decisions are further classified into policy decisions and operating decisions. The policy decisions are known as strategic decision. Their decisions are fundamental character affecting the entire organisation. Obviously they are taken by the top management . by contrast the operating decisions are meant for executing the policy decisions. Hence they are taken by the lower management cards. This hour also known as tactical decision.

Individual and group sessions

Decisions are also classified into individual and group decisions on the basis of number of person involved in the decision making process. Individual decision sar doors which are made by individual manager in the organisations. They assume complete responsibility father consequence for their decisions. Group decisions, on the other hand are those which are made by a group of manager in your organisation. They assume collective responsibility for the consequences.

Models

There are four models of decision making, viz. Simons Bounced rationality Model ; Lindbloom's incremental model; Etzioni's Mixed-scanning Model ; and Dror's Optimal Model.

3.6 SIMON'S BOUNCED RATIONAL MODEL

Herbert Simon dealt comprehensively with the rationality aspects of decision-making process. His model of rational decision-making is also known as Behaviour alternative models as a more realistic alternative to the classical 'economic rationality model'.

Simons viewed rationality as " the selection of preferred behaviour alternatives in terms of values whereby the consequences of behaviour can be evaluated". He also distinguished various types of rationality. According to him, a decision is:

(i) Objectively rational if in fact it is the correct Behaviour for maximizing given value in given situation.

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(ii) Objectively rational effect if it maximizes attainment relative to the actual knowledge of the subject.

(iii) Consciously rational to the degree that the adjustment of means to end is conscious process.

(iv) Deliberately rational to the degree that adjustment of means to end has been greatly brought about by the individual or by the organisation.

(v) Organizational relational if it is oriented to the organisation goals.

(vi) Personally rational if it is oriented to the individuals goals.

Simon believed that total rationality impossible in administrative behaviour. Hence, 'maximizing decision' is also not possible. He observed that human behaviour in an organisational setting is characterized by 'bounded rationality' (Limited rationality) leading to : satisfying decisions 'as against,' maximizing decisions '(optimizing decision). 'satisfying (a word derived from the combination of words,' satisfaction' and 'sufficing') decisions implies that your decision, - maker choose an alternative which is satisfactory or good enough.

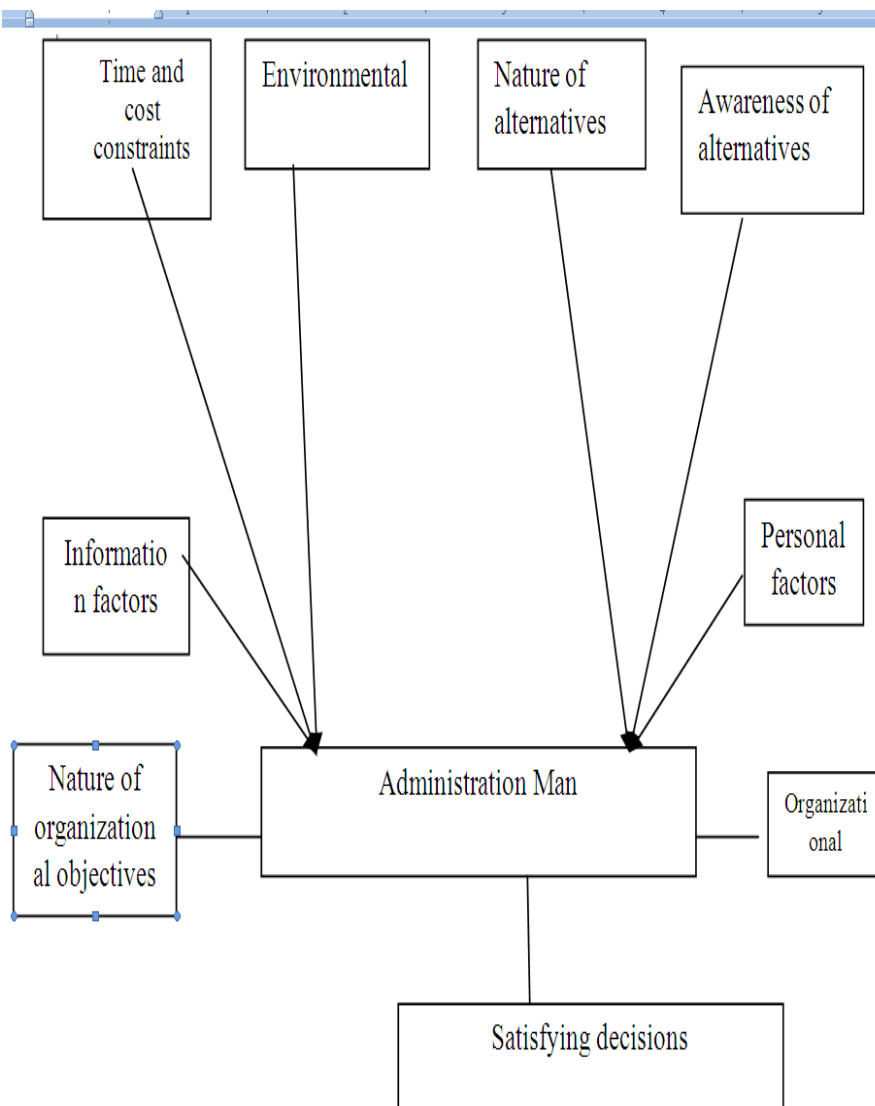
The following factors are responsible for bounded rationality leading to satisfying decision.

- i. Dynamic rather than static nature of organisational objectives.
- ii. I'm perfect in attitude information as well as Limited capacity to process analyse the available information.
- iii. Time and cost constraints.
- iv. Environmental forces are external factors.
- v. Alternative cannot be always quantified in an order difference preference.
- vi. Decision maker may not be aware of all the possible alternative available under their consequences.
- vii. Personal factor of the decision factors likes notations habits and so on.
- viii. Organisational factors like procedure rules channels of communication and so on.

Simon's bounded rationality model of decision making can be illustrated as follows.

*Decision Making With
Special Reference to H.
Simon*

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In view of the above limitation Simon proposed the model of Administrative your man as against their model of economic man who take the maximizing

Decision According to him administrative

- (a) In choosing between alternatives tries to satisfy or look for the one which is satisfactory or good enough.
- (b) recognizes that the world he refuse perceives is drastically simplified model of the real world.
- (c) Can make his choice without first determining all possible alternatives and without ascertaining that these, in fact, all the alternative because he satisfies rather than maximize and

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(d) Is able to make decisions with relatively simple rule of thumb because he treats the world as rather empty.

Thus, the 'Satisficing' administration man of Simon is different from the 'optimising' economic man, evolved by the classical economic theorists. He ends up with 'Satisficing' as he does not have the ability to 'optimize' (Maximise).

However, Chris Argyris observed that Simon, by insisting on rationality, has not recognised the role of institution, tradition and faith in decision-making. He said that Simon's theory uses 'Satisficing' to rationalise incompetence.

Norton E. Long and Philip Selznick argued that Simon's distinction between fact and values revise in a new guise the discredited politics-administration dichotomy and consider bureaucracy as a neutral instrument.

3.6 Suggested Readings

1. Ramaswamy, T., Principles of Management [Eight Edition]
Himalaya Publishing House Pvt Ltd, Mumbai. 2012,
2. L.M. Prasad, Principles and Practice of Management, Sultan Chand & Sons
2015
3. Koontz and O'Donnell, Management: A Global
Perspective. McGraw Hill, 1998

UNIT-IV DECISION MAKING

Notes

STRUCTURE

4.1 Bases

4.2. Purpose.

4.3 Nature, Importance, Purpose and Scope

4.3.1 principles of organizing

4.4. Persons

4.5 Formal and Informal Groups

4.5.1 Informal Groups

4.6 Suggested Readings

4.6.1 Informal Groups

4.7 Suggested Readings

4.8 Answers To Check Your Progress Questions

4.9 Summary

4.10 Key Words

4.11 Self Assessment Questions And Exercises

4.1 BASES

Luther gulch identified four bases of organisation, namely, purpose, process, persons, and place. These are explained as follows :

4.2. PURPOSE.

It means the function performed by organisation. The example of organisations based on the purpose (function) are: Defence Department, health Department, Labour Department, Human Resource Development Department and so on.

The merit of the purpose principle or functional principle are:

(i) It gives a coherent mission to the organisation.

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- (ii) It eliminates overlapping and duplication of work.
- (iii) It facilitates development of coordinated policies.
- (iv) It enables the fixation of responsibility for failure.
- (v) It easily intelligible to the common man.

The demerits of purpose principle or functional principles are :

- (i) It neglects the subordinate type of work.
- (ii) It ignores latest technologies.
- (iii) It leads to departmentalism in thinking.

The haldan committee of Britain 1918 to 1919 in the first Hoover commission of USA 1949 to 1950, study team of Administrative Reforms Commission of India 1966 to 1970 recommended this principles.

4.3. PROCESS

It means techniques or specialised skill is Bira Organisation in the performance of work system full stop the example of organisation based on the processes or colon space department Law Department department, development department electronics department and so on system.

The merits of process principle or or are

The merits of process control process principle are:

- (i) It facilitates the maximum amount of specialization.
- (ii) It ensures the maximum utilization of up-to-date technical skill.
- (iii) IT secures economy due to maximum use of labour –saving machinery.
- (iv) It encourage coordination in the technical work.
- (v) It is conducive to the development of career service.

The demerits of process principle are:

- (i) It is of limited use as it cannot be applied in non –technical activities.
- (ii) It gives more importance to the means than to the ends.

- (iii) It develops professional arrogance and leads to conflicts.
- (iv) It neglects the service of the generalist administrators.

4.4. PERSONS

Notes

It means the group of people (clientele) served by the organization. The examples of organizations based on clientele are: Rehabilitation Department, Tribal Welfare Department, Women Welfare Department and so on.

The merits of clientele principle are:

- i. It makes one agency responsible for all the needs of a group.
- ii. It facilitates coordination of different services provided for the beneficiaries.
- iii. It establishes close relationship between the target group and the agency.
- iv. It enables wholistic approach to problems.

The demerits of clientele principles are:

- v. It leads to the creation of a large number of small departments and thus results in what the Haldane committee called ‘ Lilliputian administration’.
- vi. It creates jurisdictional disputes between departments.
- vii. It violates the principle of specialization due to multi-functional character.
- viii. It makes organization vulnerable to improper influences of pressure groups.

4. Place

It means the territorial area covered by the organization. The examples of organizations based on place are: external Affairs Department and territorial divisions within it, Damodar valley Corporation , Zonal Offices of Railways and so on.

The merits of place principles are:

- (i) It facilitates coordination of different services provided within a specified area.
- (ii) It allows the adaptation of national politics to the needs of areas concerned.
- (iii) It is suitable in case of long distance communication difficulties.
- (iv) It secures economy due to reduction in travel and

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communication cost.

The demerits of place principle are:

- (i) It turns counter to uniformity in the administration of national polices.
- (ii) It fosters localism at the cost of national outlook and solidarity.
- (iii) It violates the principles of specialization due to multi-functional character.
- (iv) It makes organization vulnerable to improper influences of regional interests and pressure groups.

4.5 NATURE, IMPORTANCE, PURPOSE AND SCOPE

The word organization is used and understood widely in our daily lives. It has been defined in a number of ways by psychologists, sociologists, management theorists as well as practitioners. Let's learn a little bit about the concept of organization. Chester Barnard, a well-known management practitioner, nearly sixty years ago, still remains popular among organization and management theorists. According to him, an organization is, a system of consciously coordinated activities or efforts of two or more persons. In other words, a formal organization is a cooperative system in which people gather together and formally agree to combine their efforts for a common purpose. It is important to note that the key element in this rather simplistic definition is conscious coordination and it implies a degree of formal planning, division of labour, leadership and so on. For example, if two individuals agree to push a car out of a ditch, as a one-time effort, then these individuals would not be considered as an organization. However, if these two individuals start a business of pushing cars out of ditches, then an organization would be created. More recently, Bedeian and Zamnuto have defined organizations as "social entities that are goal directed, deliberately structured activity systems with a permeable boundary". There are four key elements in this definition:

- Social entities:
- Goal directed:
- Deliberately structured activity systems
- Permeable boundary
- Importance, Purpose and Scope

Organizing is the second major function of management. If planning involves the determination and achievement of objectives, then organizing is the process of selecting and structuring the means by which those objectives are to be achieved. The organizing process deals with how the work is to be divided and how coordination of different aspects is to be achieved and so on. We are truly a society of organizations. All work has to be organized efficiently in order to use the resources available to us in the most efficient

manner. One reason for organizing is to establish lines of authority. This creates order within the organization. Absence of authority almost always creates chaotic situations and chaotic situations are seldom productive—hence, the importance of organizing efforts well. Effective organizations include coordination of efforts and such coordination results in synergy.

Synergy occurs when individuals or separate units work together to produce a whole greater than the sum of the parts. This means that $2 + 2 = 5$. Furthermore, organizing is important to improve communication among the members. A good organizational structure clearly defines channels of communication among the members of the organization. Proper and correct communication is one of the keys to success. Most people believe that organizations are social entities and social forces such as politics, economics, and religion shape organizations. Some organizational theorists suggest the opposite. They say that it is the large organizations which influence politics and economics. Social class is determined by rank and position within the organization. Organization is the essence of living. An organized family is more productive than a disorganized family. All families depend on business organizations for their livelihood.

Organizations shape our lives, and better managers can shape effective organizations. However, it is not just the presence of organizations that is important but also the knowledge of organizing. Consider how the Olympic games are organized or how large airports are built. Without proper organization of people and resources the project could not be successful. Consider the organization of forces and resources during the Gulf War of 1991. All air assets reported to a single army General. This enabled the extraordinary coordination of up to three thousand flights a day. A new problem arose somewhere in the Gulf every minute but the efficient organization of resources solved all these problems.

4.6 Formal and Informal Groups

A group is called formal when it is formed with the express intent to accomplish an organizational goal or objective. It is created through a formal authority and for a specifically designated purpose.

A formal group can be a command group, also known as a functional group. This is relatively permanent and is composed of managers and their subordinates. The group meets regularly to discuss general and specific ideas to improve product or service. In business organizations, most employees are members of command groups and that is how work is done. Formal work groups usually have a single assigned leader, from the chain of command, who could be the manager or supervisor, even as their structures and style of functioning vary. For instance, in a production related work group, members may have to work in a tightly linked manner, in contrast to a sales related group, where group members work in a relatively less interlinked way. In both cases, there is a single supervisor, namely the production manager and the sales manager.

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Task forces and committees are other types of formal groups. Task forces are generally temporary in nature and are set up for special projects, for example, in formulating a new policy to deal with absenteeism. Committees are usually permanent; such as planning, finance or budget committee. These are an integral part of the organizational structure. Some committees are temporary, set up for a particular purpose and disbanded after the purpose has been served. An example is a committee set up for hiring an important executive position, such as vice-president for global sales, which is disbanded after the hiring process is completed

4.6.1 Informal Groups

Informal groups are formed spontaneously by members of the group on their own initiative. This is in contrast to formal groups that are established by the organization to accomplish specific objectives. Informal groups emerge more organically in response to common interest and goals of organizational members. Formal groups make recommendations to the organization for decision-making purposes or even make decisions that will be implemented. Informal groups do not have that role or responsibility but can make important contributions in terms of input to management or in making suggestions or recommendations.

Informal groups are formed when members perceive strong common goals and interests and see the group as being of help and benefit. Common interests could be driven by self-preservation, work-assistance, building a power-base or simply for social interaction. These groups exist outside the formal organizational structure and do not need to heed the rigid organizational rules. Though unrecognized officially, these groups exist in the shadow of the formal structure as a network of professional, social or personal relations which must be understood and respected by the management. Some informal groups, such as unions, become powerful; for instance, if one employee who is a union member is fired in an unfair manner, all the workers could go on strike in support of that member of the group.

Check Your Progress

3. What are the mathematical tools used for decision-making under certainty in case the number of alternatives is large?
4. Define certainty.
5. What are the classifications of uncertainty in decision-making?

Informal groups could be highly cohesive, with strong bonds between members and a high sense of belonging and togetherness. This cohesion

could have a powerful impact on productivity and job satisfaction, since employees do influence each other's motivations and affect each other's productivity, for example, by helping new employees or asking experienced ones for guidance and help. Thus, recommendations and decisions of informal groups regarding operational or personnel problems are often taken quite seriously by management.

Informal groups need not be without structure, although such structure could be different than prescribed structures for formal groups. They may parallel formal structures in having leaders, group goals, social and group roles and working patterns. They may have unwritten rules or codes of conduct that members are expected to adhere to. In such groups, members are expected to trust and help each other. For example, in many departments, administrative assistants wield more power in certain ways than the nominal head. Thus, an employee in the department, who has an excellent rapport with the assistant and forms an informal group in that manner, may be able to accomplish even more than what he could with only the help from his superiors.

Since informal groups have an important role in the process of managerial decision-making, especially at the operational level and sometimes at the policy formulation level as well, it is important to study the various aspects of informal groups, including behavioral ones.

4.7 Suggested Readings

1. Ramaswamy.T, Principles of Management [Eight Edition]
Himalaya Publishing Home Pvt Ltd, Mumbai. 2012,
2. L.M .Prasad,Principles and Practice of Management,Sultan
Chand&Sons 2015
3. Koontz and O'Donnell,Management:A Global
Perspective.McGrawHill,1998

4.8 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The basic emphasis of 'decision theory school of management.' school is not on people or environmental variables influencing the management behaviour but on the process of decision-making and the theory that all management thought can be built around it.
2. A policy is a general guideline which sets up parameters for the management within which to operate and is general and judgemental in nature.
3. If the number of alternatives is large then some mathematical tools such as linear programming and deterministic inventor models are available to identify the best alternative.

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4. Certainty is the state of perfect knowledge about the market conditions. In the state of certainty, there is only one rate of return on the investment and that rate is known to the investors.
5. For the purpose of decision making, the uncertainty is classified as:
 - (a) complete ignorance
 - (b) partial ignorance
6. Deviation in decision-making could develop either because the performance slips when the goals remain constant or because the goals change and the performance remain constant.
7. Inference is deduction about a situation based upon circumstantial evidence. The stronger the supporting evidence, the stronger the inference and hence the closer the inference is to facts.
8. The synectic approach encourages the creative individual to think around the problem rather than attacking it directly and look for minute and novel elements in the problem or the situation that could create a different angle of approach to the problem.
9. A method refers to a prescribed process in which a particular operation of a task is to be carried out. It specifies the most efficient way of performing different steps in a task. It defines the technology of individual operations in a work situation. A method functions as a complete guide for individuals in their performance of tasks.

4.9 SUMMARY

- 5 Decision making and problem solving is a core function of management because it is an integral part of all other managerial functions such as planning, organizing, directing and controlling. It is also an integral part of life because life cannot be managed without making decisions.
- 6 Programmed decisions are generally routine, repetitive and applicable to known problems. These decisions generally handle well-structured problems which are familiar, complete and easily defined and analysed.
- 7 Non-programmed decisions are decisions which are a result of unexpected and unprecedented situations. For examples, decisions taken with regards to launching a brand new product in a brand new market would come under non-programmed decisions.
 - There are three types of circumstances in which the decisions are to be made. These are:
 1. Decisions under certainty
 2. Decisions under risk
 3. Decisions under uncertainty
 - Rational decision making is a process involving several steps that lead managers towards optimal decisions. It is a systematic and analytical approach which provides some guidelines as to how a decision should be made. There are ten sequential steps that can be followed and evaluated with continuous feedback at every step in order to fully analyze the problem and decide on a solution.
 - While policies cover a broad area of action, procedures prescribe the exact

manner in which an activity is to be completed. It is a series of steps established to accomplish a specific project. These generally indicate how a policy is to be implemented and carried out.

- While procedures specify a chronological sequence of steps to be performed, a rule is very specific and a narrow guide to action. These are plans that describe exactly how one particular situation is to be handled.
- A method refers to a prescribed process in which a particular operation of a task is to be carried out. It specifies the most efficient way of performing different steps in a task. It defines the technology of individual operations in a worksituation.
- Budget is a single-use programme which is a financial plan that covers a specified period of time. This plan identifies as to how funds will be raised and how these funds will be utilized for procuring resources such as labour, raw materials, information systems and other business functions such as marketing, research and development, and so on.
- A project is a single-use plan which is part of a general programme. It is defined as any scheme or a part of a scheme for investing resources, which may be analysed and evaluated as an independent unit.

4.10 KEY WORDS

- 8 **Risk:** It refers to a situation in which a business decision is expected to yield more than one outcome and the probability of each outcome is known to the decision makers or can be reliably estimated.
- 9 **Uncertainty:** It refers to a situation in which there is more than one outcome of a business decision and the probability of no outcome is known or can be meaningfully estimated.
- 10 **Rational Decision-making:** It is a systematic and analytical approach which provides some guidelines as to how a decision should be made.

4.11 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. Explain the concept of decision-making in management.
2. What are the categories in which information can be classified with regards to the evaluation of problem?
3. What is synectics approach?
4. What are projects and budgets?

Long Answer Questions

1. Discuss decision-making process under conditions of certainty and uncertainty.
2. Explain the concept of procedures, methods and rules.
3. Describes the steps involved in rational decision-making process.

BLOCK II: ORGANISATION AND ITS PRINCIPLES

UNIT- V

HIERARCHY

Structure:

- 5.1 Meaning
- 5.2 Definition
- 5.3 Principles
- 5.4 Advantages
- 5.5 Disadvantages
 - 5.5.1 Fayol's Gangplank
- 5.6 Unity of Command
 - 5.6.1 Meaning
 - 5.6.2 Definition
 - 5.6.3 Arguments For
 - 5.6.4 Arguments Against
 - 5.6.5 Factors Affecting
- 5.7 Other Meanings
- 5.8 Span of Control
 - 5.8.1 Meaning
 - 5.8.2 Relationship with Hierarchy
 - 5.8.3 Views on Limit
 - 5.8.4 Other Meanings
- 5.9 Factors Determining
 - 5.9.1 Function
 - 5.9.2 Time
 - 5.9.3 Space
 - 5.9.4 Personality
 - 5.9.5 Idea under Revision
- 5.10 Authority And Responsibility
 - 5.10.1 Authority
 - 5.10.2 Types
 - 5.10.3 Responsibility
 - 5.10.4 Coordination
 - 5.10.5 Meaning

- 5.10.6 Definition
- 5.10.7 Types
- 5.10.8 Important
 - 5.10.9 Techniques
 - 5.10.10 Theoretical Contributions
- 5.11 Centralization and Decentralization
 - 5.11.1 Meaning
 - 5.11.2 Definition
 - 5.11.3 Types
 - 5.11.4 Approaches
 - 5.11.5 Merits of Centralisation
 - 5.11.6 Demerits of Centralisation
 - 5.11.7 Merits of Decentralisation
- 5.12 Demerits of Decentralisation
 - 5.12.1 Effectilie Decentralisation
 - 5.12.2 Factors Governing
 - 5.12.3 Patterns of Field Organisation

Notes

Hierarchy was emphasized by all the classical thinkers like Weber, Fayol, Gulick, Urwick, Mooney and Rciley as an important principle of administration. Fayol referred to it as the 'scalar chain', while Mooney and Reiley called it the 'scalar process'. Mooney stated that hierarchy is a universal phenomenon.

5.1 MEANING

The term "Hierarchy" is derived from the Greek term for a ruling body of priests organized into ranks. The word 'scalar' is derived from 'scale' which means 'ladder' with several steps.

Literally, the term "hierarchy" means the control of the higher over the lower. In administrative phraseology, it means an organisation structured in a paramedical fashion with successive steps interlinked with each other, from top to bottom.

Mooney has explained the scalar chain or scalar process in the following way: "The scalar principle is the same form in an organization that is sometimes called hierarchical. A scale means a series of steps, something graded. In an organization it means the grading of duties, not according to the different functions, but according to the degrees of authority and corresponding responsibility. For our convenience we shall call this phenomena of organization the scalar chain".

While highlighting the universality of the scalar chain in the organisation, he (Mooney) asserted that "wherever we find an organization even of two

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people, related as superior and sub-ordinate, we have the scalar principle. This chain constitutes the universal process of co-ordination, through which the supreme co-ordinating authority becomes effective throughout the entire structure". According to him, the scalar process has its own principle, process and effect. These are : (i) Leadership, (ii) Delegation, and (iii) Functional Definition.

The scalar system denotes that every employee is bound in a single chain of command. In the words of Stephen Robbins, "the chain of command is an unbroken line of authority that extends from the top of the organisation to the lowest echelon and clarifies who reports to whom".

5.2 Definition

LD. White: "Hierarchy consists of the universal application of the superior-subordinate relationship through a number of levels of responsibility reaching from the top to the bottom of the structure."..

E.N. Gladden: " Both in the simple unit organization and in the complex large-scale organization the process of division of labour means that the principle of hierarchy operates; that is to say the individuals are arranged in grades, those above supervising those below."

5.3 PRINCIPLES

Three principles are followed to organise functional units in a pyramidal form. They are:

- (i) Principle of 'through proper channel', that is, all commands and communications should pass through a proper channel. No intermediate level can be skipped in transacting business.
- (ii) Principle of `correspondance', that is, authority and responsibility should be coequal and coterminous at all levels. It is believed that "authority without responsibility is dangerous and responsibility without authority is meaningless."
- (iii) Principle of 'unity of command', that is, a subordinate should receive orders from one superior only. The following diagram illustrates the principle of hierarchy in administration:

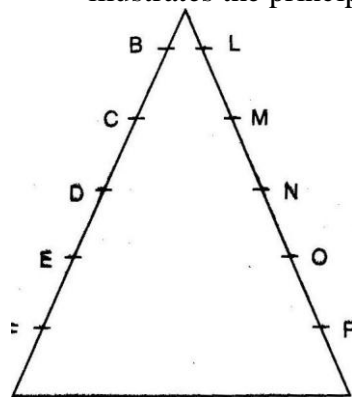


FIG.2.1 Principle of Hierarchy

In the above diagram, A is the head of the organisation. The immediate subordinate of A is B and the immediate subordinate of B is C. But C is also subordinate to A through B. This is true of all the other levels in the line, that is, D, E, F and G. Hence, orders flow from top to bottom, that is, from A to B, B to C, and so on, and communications flow from bottom to top, that is, from G to F, F to E, and so on. The same is true on the other side, that is, A to Q. The communication between G and Q takes place through A, that is, it ascends to A from G and descends from A to Q in a step by step manner. This is called communication 'through proper channel'. The line of authority (the chain of command or line of command) linking the entire organisation is represented in the above diagram.

5.4 ADVANTAGES

The advantages of the principle of hierarchy are:

- (i) It serves as an instrument of integration and coherence in the organisation.
- (ii) It acts as a channel of communication.
- (iii) It enables to fix responsibility at each level.
- (iv) It avoids short circuiting by ensuring strict adherence to procedure.
- (v) It prevents congestion of work at the top level.
- (vi) It facilitates decentralization of decision-making.
- (vii) It facilitates delegation of authority.
- (viii) It simplifies procedures for file movement.
- (ix) It helps in coordination by securing unity of purpose.
- (x) It promotes discipline and order in the organisation.

According to Paul H. Appleby, hierarchy "is the means by which resources are apportioned, personnel selected and assigned, operations activated, reviewed and modified."

5.5 DISADVANTAGES

The disadvantages of principle of hierarchy are:

- (i) It causes inordinate delay in the disposal of work due to red tapism.
- (ii) It discourages the initiative and drive of the lower level personnel resulting in indecisiveness and inefficiency.

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- (iii) It is not conducive for the growth of dynamic human relations among members of the organization, as it brings too much rigidity in administration.
- (iv) It makes the organization tall (overextended). Consequently, the personnel at the top lose touch with the personnel at lower levels.
- (v) It creates superior-subordinate relationship due to differences at various levels in the following respects.
 - Distribution of authority and privileges
 - Nature of responsibilities
 - Pay scales
 - Qualifications and qualities of the staff

5.5.1 Fayol's Gangplank

To speed up the flow of business and avoid delay in disposal of cases, Henry Fayol suggested an alternative route called 'gangplank'. He illustrated it in the following way.

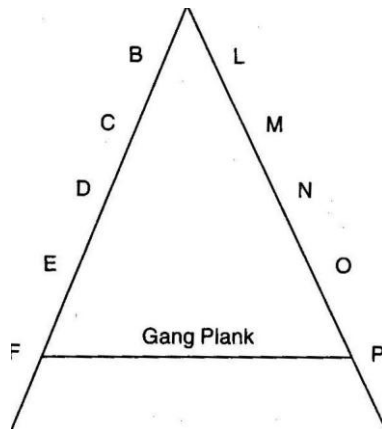


FIG.2.2 Fayol's Scalar Chain

Following the line of authority (scalar chain), F to communicate with P, has to go through E-D-C-B-A-LM-N-O and back again. On the other hand, it is much simpler and quicker to go directly from F to P by making use of FP as a 'gang-plank', if the procedure is agreeable to higher officials, that is, E and O. Thus, the concept of gangplank stands for establishing a communication channel with an employee of the same level, that is, a horizontal communication system.

Fayol asserts, "It is an error to depart needlessly from the line of authority, but it is an even greater one to keep to it when detriment to the business ensues." Similarly, Lyndall Urwick observes, "Every organisation must have its scalar chain just as every house must have its drain but it is unnecessary to use this channel frequently as the sole

means of communication, as it is unnecessary to pass one's time in the drain." Due to inherent defects in the hierarchical organizations, the modern administrative thinkers like Chris Argyris have suggested the matrix organisation (also known as fan-like organisation). This form of organisation is free from the rigid superior-subordinate relationships. Finally, it should be noted here that John Piffner and Robert Presthus have studied the impact of computers (information technology) on the hierarchical pyramid of an organization.

5.6 UNITY OF COMMAND

5.6.1 Meaning

Unity of command means that an employee should receive orders from one superior only. In other words, it means that no employee should be subjected to the orders of more than one superior. Thus, it stands for single boss for each person or mono-command.

5.6.2 Definition

Henry Fayol: "For any action whatsoever, an employee should receive orders from one superior only, and Presthus: "The concept of unity of command requires that every member of an organization report to one, and only one leader." and Dimock: "A corollary of the chain of command is unity of command, the principle that an employee should have only one boss."

5.6.3 Arguments For

The observance of the concept of unity of command is essential to avoid confusion and manipulation in organisations. Duality or multiplicity of command keeps an employee under confusion and conflicting situation, for instance, 'whom' to follow and 'what' to follow. Further, a subordinate can also evade orders by playing-off one superior against another, which undermines the organisational purpose. Henry Fayol is the most important advocate of the principle of unity of command. He asserted that, "should it be violated, authority is undermined, discipline is in jeopardy, order disturbed and stability threatened... . As soon as two superiors wield their authority over the same person or department, uneasiness makes itself felt and should the cause persist, the disorder increases, the malady takes on the appearance of an organism troubled by a foreign body, and the following consequences are to be observed: either the dual command ends in disappearance or elimination of one of the superiors and organic well-being is restored, or else the organism continues to wither away. In no case is there adaptation of the social organism to dual command." According to Fayol, the following factors result in dual command. ■

Dividing up authority between two members ■ Imperfect demarcation of departments

■ Constant linking up, as between different departments, natural intermeshing of functions, and duties often badly defined Gulick and Urwick have also supported the principle of unity of command. They believed that, "a man cannot serve two masters." Hence, they concluded that, "well-managed administrative units in the government are almost without exception headed by single administrators." Gulick explains the importance of this principle, "any rigid adherence to the principle of unity of command may have its absurdities. But they are unimportant in comparison to the certainty of confusion, inefficiency and irresponsibility which arise from the violation of the principle."

5.6.4 Arguments Against

The concept of unity of command has been opposed by many writers. Seckler-Hudson argues, "the old concept of one single boss for each person is seldom found in fact in complex governmental situations. Many interrelationships exist outside the straight line of command which require working with, and reporting to many persons for purposes of orderly and effective performance ... the administrator in government has many bosses and he can neglect none of them. From one he may receive policy orders; from another, personnel; from a third, budget; from a fourth, supplies and equipments." J.D. Millet advocates the theory of 'Dual Supervision' in place of unity of command. He argues that the concept of unity of command needs to be reconciled with the recognition that supervision of any activity may be dual—technical (professional) and administrative. These two types of supervision may be exercised by different individuals. The former may be concerned with the professional competence in the performance of a job, while, the latter may be chiefly interested in the efficient utilisation of men and material resources available for the job. He concludes that "it should be kept in mind that under no circumstance an employee is subject to conflicting commands." According to Herbert Simon, the principle of unity of command conflicts with the principle of specialisation. He says, "One of the most important uses to which authority is put in an organisation is to bring about specialisation in the work of making decisions, so that each decision is made at the point in the organisation where it can be made most expertly. If an accountant in a school department is subordinate to an educator, then the finance department cannot issue direct orders to him regarding the technical accounting aspects of his work. Similarly, the director of motor vehicles in the public works department will be unable to issue direct orders on care of

motor equipment to the fire-truck driver". He continues : "The principle of unity of command is perhaps more defensible if narrowed down to the following: In case two authoritative commands conflict, there should be a single determinate person whom the sub-ordinate is expected to obey, and the sanctions of authority should be applied against the sub-ordinate only to enforce his obedience to that one person." F.W. Taylor has also rejected the principle of unity of command. In its place, he advocated the concept of `functional foremanship', under which a worker receives orders from eight supervisors, or functional foremen. This ensures specialisation and expert supervision.

5.6.5 Factors Affecting

Moreover, the concept of unity of command has been affected by the following two factors which are the result of growing size and complexity of modern organisations, (i) Adoption of plural headed bodies like 'boards' and 'commissions' as the heads of administrative agencies as against 'bureaus' (headed by a single individual). (ii) Increasing number and growing influence and power of staff and auxiliary agencies which are manned by specialists.

5.7 OTHER MEANINGS

In addition to the above, the concept of unity of command is also interpreted in two other ways:

- (i) It means that all the units of an organisation should be integrated or brought under the authority of one head like a President, a Cabinet, a Minister, a Secretary, a Chairman or some other body or officer.
- (ii) It means that the head of the organisation should be a single individual. More elaborately, it means that there should be only one person and not a body of persons at the apex of an organisation, and all lines of authority should be concentrated in his hand.

In the first sense, unity of command is incompatible with the independent or autonomous units of organisations like the public corporations or constitutional bodies in India or the independent regulatory commissions in USA and so on. In the second sense, it is incompatible with Commission type or Board type of organisations like the Election Commission, the Union Public Service Commission, the University Grants Commission, the Railway Board, the Flood Control Board and so on. Hence, the most widely accepted interpretation of unity of command is the one given above.

5.8 SPAN OF CONTROL

5.8.1 Meaning

The principle of span of control means the number of subordinates or the units of work that an officer can personally direct, control, and supervise. It is also known as 'span of supervision' or 'span of management'.

According to Dimock and Dimock, "The span of control is the number and range of direct, habitual communication contacts between the chief executive of an enterprise and his principal fellow officers."

5.8.2 Relationship with Hierarchy

There is a close relationship between hierarchy and span of control. That is, the number of levels in a hierarchical (scalar) organisation depends upon the span of control of a superior officer. Narrow (smaller) span of control increases the number of levels in the organisation and thereby creates tall structure. On the other hand, wide (larger) span of control decreases their number and thereby results in a flat structure.

5.8.3 Views on Limit

The principle of span of control in public administration is related to the concept of 'span of attention' described in psychology by V.A. Graicunus, the French management consultant. This concept says that there is a limit to the number of things one can attend to at the same time. In other words, the span of attention of a human being is limited as there are limits to the range of human capacity and attention. Thus, it follows that there is a limit to the span of control which is nothing but the span of attention applied to the job of supervision of subordinates by the superior.

However, the opinions of various writers differ on the exact limit of span of control.

- Sir Ian Hamilton felt that a supervisor could supervise 3 to 4 subordinates.
- V.A. Graicunus found that a superior can supervise the work of 6 subordinates directly.
- Lynda]] Urwick believes that a superior can supervise directly 5 to 6 subordinates at the higher levels, whereas, the span of control varies from 8 to 12 at the lower levels, where the work is more simple and routine.

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✓ Lord Haldane and Graham Wallas felt that a chief executive could supervise 10 to 12 subordinates without being overburdened.

✓ American Management Association stated that a superior could supervise 9 subordinates.

According to V.A. Graicunus, while the number of subordinates reporting directly to an executive increases arithmetically, the number of potential relationships increases geometrically. This is because supervision is not limited to individual subordinates, but also includes the numerous permutations and combinations of their mutual relationships. The total number of all the relationships to be supervised would be—direct single + crosses + direct group. His theory can be mathematically expressed as $n(2n/2 + n - 1)$, where n stands for the number of subordinates reporting directly to the supervisor.

Though, there exists no unanimity over laying down a definite number constituting the span of control, there is a general agreement among writers on administration that shorter the span, the greater will be the superior-subordinate contact and in consequence, more effective control, supervision, and direction. However, Seckler-Hudson views differently. He says, "There are dangers inherent in excessively limited span of control, such as, the risk of detailed supervision of the subordinates and the resultant failure to stimulate them or to fully use their capacities. It is possible also that short span of control means long chain of commands."

5.9 FACTORS DETERMINING

The exact length of span of control depends on the following variable factors.

5.9.1 Function

It refers to the type/nature of work to be supervised. The span of control is more when the work to be supervised is of easy, routine, mechanical, and homogenous character than when the work is of difficult, non-routine, intellectual, and heterogenous character. In this context, Luther Gulick observed that a chief of public works can deal effectively with more direct sub-ordinates than an Army General because all of his immediate sub-ordinates in the department of public works will be in the general field of engineering while in the army there will be many different elements such as communications, chemistry, and so on.

5.9.2 Time

It refers to the age of the organisation concerned. The span of control is more in old organisations than in newer organisations. This is because, in

older organisations, things get stabilised while, newer organisations will have few precedents.

5.9.3 Space

It refers to the place of work to be supervised. The span of control is more when the supervisor and the subordinates to be supervised are under the same roof, than when the subordinates work in different rooms or at a distance from the supervisor. In this context, Lyndall Urwick made a distinction between 'direct supervision' and 'access' to the boss, implying that while a superior can directly supervise only a few subordinates, he can introduce some flexibility in the organisation by allowing more subordinates to have access to him.

5.9.4 Personality

It refers to the competence of the supervisor and the supervised. The span of control is more when the supervisor is intelligent, energetic and tactful than when he is weak, dull and incompetent. Similarly, the span of control is more when the subordinates are trained and experienced than when they are untrained and incompetent.

In addition to the above, the span of control also depends on the following factors.

- (i) Delegation of authority
- (ii) Traditions and environments of the organisation
- (iii) Techniques of supervision

According to the Report of Committee on Administration (1972), the span of control is larger in the

Following cases.

- (i) Energetic, skilled, intelligent, and competent superior
- (ii) Competent, well-trained, and experienced subordinates
- (iii) If the work is routine, repetitive, measurable, and homogenous
- (iv) Well planned work
- (v) Utilizing the staff assistance
- (vi) Use of various effective communications
- (vii) Employees working under a single roof

5.9.5 Idea under Revision

The whole idea of span of control has changed in the recent times due to the following factors.

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- (i) The increasing use of automation and mechanization in administration
- (ii) The information revolution due to management information system (MIS)
- (iii) The increasing number and growing role of the specialists, technicians and professionals in the civil Service

5.10 AUTHORITY AND RESPONSIBILITY

5.10.1 AUTHORITY

Mooney and Reiley described authority as the 'supreme coordinating power' that provides legitimacy to the organisational structure. The defining characteristic of authority is legitimacy, while that of power is coercion.

Authority is the legitimate power of the office holder.

There are three sources of authority in public administration, viz.

- (i) Law, that is, constitution, legislative enactments, delegated legislations and judicial decisions
- (ii) Tradition, that is, organisational norms, codes and work habits
- (iii) Delegation, that is, conferment of authority by the higher to the lower levels

According to Millet, administrators need sufficient authority in the following four areas to discharge their

Duties effectively.

- (i) To decide the objective and purpose of the activities, that is, programme authority
- (ii) To create and organise the structure needed to execute the programmes efficiently, that is, organisational authority.
- (iii) To determine budgetary requirements according to the programme goals and priorities, that is, budgetary authority.

- (iv) To appoint, motivate, appraise and discipline personnel in the organisation, that is, personnel authority.

Following are the two types of organisation on the basis of distribution of authority.

- (i) *Bureau* type, where administrative authority is vested in a single individual.

(ii) *Board* and *Commission* type, where administrative authority is vested in a group of individuals.

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Positional Theory of Authority The positional theory of authority is reflected in the following definitions,

(iii) *Max Weber*: "Authority is the willing and unconditional compliance of people, resting upon their belief in the legitimacy of the superior to impose his will on them and illegitimate for them to refuse to obey."
 (iv) *Henri Fayol*: "Authority is the right to give orders and the power to exact obedience."

(v) Here Weber and Fayol view authority as an attribute of a position in the organisation and not of an individual member. In other words, authority lies with the formal position and whoever occupies it, shall exercise authority and issue orders and commands. It is the duty of the subordinates to obey those orders and commands.

Acceptance Theory of Authority Barnard rejected the traditional (classical or positional or formal) theory of authority advocated by Weber and Fayol. He advocated the acceptance theory of authority. According to this theory, the basis of legitimacy of the superior's authority is the *acceptance* lended by the subordinate. A superior can exercise authority only when it is accepted by the subordinate. He defined authority as "the character of a communication (order) in a formal organisation, by virtue of which it is accepted by a contributor or member of the organisation as governing or determining what he does or is not to do, so far as the organisation is concerned."

According to Barnard, a subordinate will accept a communication as authoritative only when the following four conditions simultaneously obtain.

- (i) When he understands the communication (i.e. intelligibility)
- (ii) When it is not inconsistent with the purpose of the organisation
- (iii) When it is compatible with his personal interest as a whole
- (iv) When he is able mentally and physically to comply with it (i.e. feasibility)

Barnard further adds that the acceptance of authority is facilitated by the 'zone of indifference' of individual participant of the organisation. He says that the orders will be accepted by the subordinate so long as they fall within this zone. Hence, the executives should issue only those orders which fall within this zone. The extent of the zone of indifference is determined by the contribution-satisfaction equilibrium.

Like Barnard, Simon also advocated the acceptance theory of authority. He defined authority as "the power to make decisions which guide the actions of another." Further, following Barnard's 'zone of indifference', he

presented the 'zone of acceptance'. Simon said that when the superior exercises authority beyond this zone of acceptance, the subordinate disobeys it.

5.10.2 Types

Max Weber classified authority into three types.

- (i) Traditional authority, based on customs, usages and precedents
 - (ii) Charismatic authority, based on exceptional personal traits of the ruler
 - (iii) Legalrational authority, based on laws, rules and regulations
- Amitai Etzioni gave the following three-fold classification of authority.

- (i) Coercive authority, based on the fear of punishment like negative rewards, physical threats, and so on.
- (ii) Normative authority, based on allocation and manipulation of symbolic rewards.
- (iii) Utilitarian authority, based on granting material rewards that are acceptable to or desired by the subordinates. Hence, it is also known as reward authority.

Authority is also classified into the following three types.

- (i) Line authority, which is concerned with the achievement of organisational goals
- (ii) Staff authority, which is concerned with advising the line in accomplishing the goals of organisation
- (iii) Functional authority, which lies in the job to be performed and thus cuts across the chain of command

5.10.3 Responsibility

Responsibility denotes an obligation of an individual to carry out his duties. G.R. Terry says, "Responsibility is the obligation of a person to achieve the results mutually determined by means of participation by his superiors and himself." It is different from accountability, which denotes answerability to the superiors regarding completion of the job in accordance with the directions.

Responsibility is of two types, *viz. operating responsibility* and *ultimate responsibility*. The former can be delegated to the subordinates, while the latter cannot be delegated.

According to Fayol, authority and responsibility are inter-related and commensurate. In his words, "Authority is not to be conceived of apart from responsibility, that is, apart from sanction—reward or penalty—which goes with the exercise of power. Responsibility is a corollary of authority, it is its natural consequence and an essential counterpart, and wheresoever authority is exercised responsibility arises."

Similarly, Urwick said "to hold a group or individual accountable for activities of any kind without assigning to him or them the necessary authority to discharge, that responsibility is manifestly both unsatisfactory and inequitable. It is of great importance to smooth working that at all levels authority and responsibility should be coterminous and coequal." This is what he called the 'principle of correspondence'.

In administrative process, responsibility is of three kinds, that is, political, institutional and professional.

Political responsibility denotes the responsibility of the executive to the legislature which is, in turn, responsible to the people.

Institutional responsibility denotes the responsibility of the administrative agency towards public welfare, that is, being responsive to the public interest.

Professional responsibility denotes the responsibility of the civil service to the professional standards and ethics and codes of conduct. It is also known as ethical responsibility.

5.10.4 COORDINATION

Coordination is an essential part of administration. According to Mooney, "Coordination is the first principle of organisation and includes within itself all other principles which are subordinate to it and through which it operates."

However, coordination is only a means and not an end in itself. Newman says, "It (coordination) is not a separate activity but a condition that should permeate all phases of administration."

5.10.5 Meaning

Coordination has both positive and negative connotations. Positively, it means bringing about cooperation and team work among the persons and units of an organisation. Negatively, it means removing conflicts, inconsistencies, friction, overlapping, and working at cross purposes among persons or units of an organisation.

5.10.6 Definition

.H. Newman: "Coordination is the orderly synchronization of efforts to provide the proper amount, and diluting of execution resulting in harmonious and unified actions to a stated objective."

G.R. Terry: "Coordination is the adjustment of the parts to each other and of the movement and operation of parts in time so that each can make its maximum contribution to the product of the whole."-

L.D. White: "Coordination is a process causing disjunct elements to a concentration on a complex of forces and influence which cause the mutually independent elements to act together."

J.C. Charlesworth: "Coordination is the integration of several parts into an orderly whole to achieve the purpose of the undertaking."

J.D. Mooney: "Coordination is the orderly arrangement of group effort, to provide unity of action in the pursuit of a common purpose."

Seckler-Hudson: "Coordination is the all important duty of inter-relating the various parts of the work."

The above definitions make it clear that coordination is much more than cooperation. According to Terry, "coordination is synchronization of efforts" while "cooperation is the collective action of one person with another or others towards a common goal."

5.10.7 Types

Coordination is classified as:

Internal and External Internal coordination deals with coordinating the individual activities of persons working in an organisation. It is also known as functional coordination. External coordination deals with coordinating the activities of various organisational units. It is also known as structural coordination.

Horizontal and Perpendicular Horizontal coordination deals with the coordination between one section and another, one branch and another, one division and another or one department and another. Perpendicular coordination deals with the coordination between an officer and his employee, a branch and a division, and a division and a department.

Procedural and Substantive This typology is given by Herbert A. Simon. Procedural coordination is exemplified by the structure of the organisation itself that defines the pattern of formal relations among its members. The substantive coordination, on the other hand, is concerned with the content of the activities of the organization.

5.10.8 Importance

Coordination is essential for smooth and successful functioning of organization due to the following reasons.

- (i) To avoid conflicts and duplication of work in the functioning of organisation. This ensures economy of expenditure.
- (ii) To curtail the tendency among employees to attach too much significance to their own work and de-emphasise others' work.
- (iii) To prevent the tendency of 'empire-building', that is, expansion of one's own activities to gain more power.
- (iv) To check the narrow perspective of specialists who engage in different and specific aspects of work.
- (v) To meet the requirements of growing number of organisational units.

5.10.9 Techniques

Techniques Following are the techniques or means of coordination.

- (i) Planning (the most important means of coordination)
- (ii) Institutional devices or organisational devices like inter-departmental meetings, conferences, committees, staff units, coordinating officers, and so on.
- (iv) Standardisation of procedures and methods like forms, manuals, regulations
- (v) Centralised house-keeping agencies like Director-General of Supplies, Central Public Works Department, and so on (v) Verbal and written communications
- (vi) Inculcation of institutional spirit among the employees
- (vii) Consultations, references and clearance, like with Finance Ministry
- (viii) Organisational hierarchy or scalar chain which, according to Mooney, constitutes the universal process
- (ix) In addition to the above formal means, there are various informal means of coordination like personal of coordination contacts, dinners, cocktail parties, party system, and others.

5.10.10 Theoretical Contributions

Luther Gulick He felt that coordination becomes mandatory when sub-division of work is inescapable. According to him, coordination means

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interrelating the various parts of the work. He opined that size and time are the great limiting factors in the development of coordination. Hence, he stated that "coordination is not something that develops by accident. It must be won by intelligent, vigorous, persistent and organised effort." The following are Gulick's two primary ways of achieving coordination.

(i) Organisation, that is, interrelating the parts of work through organisational hierarchy. (ii) Dominance of an idea, that is, development of a common objective in the minds of the people working together in the organisation.

M.P. collect She viewed coordination as the core of management. According to her, coordination means "harmonious ordering of parts". She emphasised the following four facets of coordination.

(i) Coordination as the reciprocal relating of all factors in a situation and taking into account also the

(ii) Coordination by direct contact irrespective of one's position in organisational hierarchy. inter-relationships themselves.

Coordination in the early stages, that is, involving the concerned people in the policy-making stage

(iv) Coordination as a continuing process and from activity to further itself. process, that is, from planning to activity,

J.D. Thompson he identified the following three kinds of interdependencies in organisation. planning.

(i) Pooled interdependence, that is, an organisation, according to Thompson, may have various fairly autonomous units but the entire organisational functioning depends on the overall performance of

(ii) Sequential interdependence, that is, the units of an organisation are organised in such a way that the output of one unit become the input for the second unit. (iii) Mutual interdependence, that is, the units of an organisation are so organised that the outputs of

(v) Reciprocal interdependence, that is, each unit become inputs for the other units.

Thompson also suggested the following three kinds of coordinating techniques to match the above three types of interdependencies. (i) Standardization, (ii) Coordination by plan, and (iii) Coordination by mutual adjustments. ,

Harlan Cleveland His 'tension theory' suggests that in an organisation there must be deliberate planning to create conflicts in jurisdiction and programme of various units. Such conflicts in administration focus the issues related to public interest which, otherwise, would be overridden.

Thus, he opposed the structuring of an organisation to attain complete coordination to ensure smoothness in function.

Mac Farland He suggested four ways of achieving coordination: (i) Clarifying authority and responsibility, (ii) Checking and observation, (iii) Facilitating effective communication, and (iv) Coordination through leadership.

Limits or Hindrances

According to Luther Gulick, the following factors limit the achievement of coordination.

- (i) Uncertainty of the future behaviour of individuals and of groups
- (ii) Lack of knowledge, experience, wisdom and character among leaders and their confused and conflicting ideas and objectives
- (iii) Lack of administrative skills and techniques
- (iv) The vast number of variables involved, and the incompleteness of human knowledge, particularly related to men and life.
- (vi) Lack of proper methods for developing, considering, perfecting, and adopting new ideas and programmes .

Seckler-Hudson included the following hindrances (i) Enormous growth in size and complexity of public administration, (ii) Personalities and political factors, (iii) Lack of leaders with wisdom and knowledge pertaining to public administration, and (iv) The accelerated expansion of public administration to international dimension.

5.11 CENTRALISATION AND DECENTRALISATION

5.11.1 Meaning

Centralisation means concentration of authority at the top level of the administrative system. Decentralisation, on the other hand, means dispersal of authority among the lower levels of the administrative system. Thus, the issue of centralisation versus decentralisation revolves around the location of the decision-making power in the administrative system. In a centralised system of administration, the lower levels (called field offices) cannot act on their own initiative. They have to refer most of their problems to the higher level (called headquarters) for decision-making. They act as only implementing agencies. In a decentralised system of administration, on the other hand, the field

offices can act on their own initiative in specified matters. They are given authority to take decisions without reference to the headquarters. Thus, the essence of decentralisation is the vesting of decision-making power in the field offices. Recentralisation is the opposite of decentralisation. It means centralisation of authority once decentralised. The word decentralisation is derived from Latin..

5.11.2 Definition

The following definitions can be noted in this regard:

Z.D. White: "The process of transfer of administrative authority from a lower to a higher level of government is called centralisation; the converse, decentralisation."

Henry Fayol: "Everything that goes to increase the importance of the subordinate's role is decentralisation, everything which goes to decrease it is centralisation."

5.11.3 Types

Broadly speaking, decentralisation is of the two types—political and administrative. The administrative decentralisation is further sub-divided into territorial (vertical) decentralisation and functional (horizontal)

Decentralization.

1. Political Decentralisation It stands for the establishment of new levels of government like the autonomous states in India or provinces in Canada. In the federal system, political authority is divided between central government and the regional governments (State governments in India or Provincial governments in Canada).

The creation of autonomous local governments in Federal States like USA or India and in Unitary States like Britain or Japan also imply political decentralisation. Thus the establishment of City Governments in USA, Panchayati Raj and Municipal Corporations in India, County Governments in Britain and Prefectural Governments in Japan are good examples of political decentralisation.

2. Territorial Decentralisation It stands for the establishment of area administrative units (field offices) by the higher authority (headquarters). For example, the creation of divisions, districts, talukas, circles, and so on in India. These are vested with decision-making powers within specified limits and thus function in an independent manner.

3. Functional Decentralisation It implies the vesting of decision-making authority in the specialised units by the central agency. For example, the creation

of technical or professional bodies in India like University Grants Commission, Flood Control Board, Central Social Welfare Board, and so forth.

5.11.4 Approaches

James W. Fesler classified the different approaches to the concept of decentralisation in the following four categories:

1. Doctrinal Approach It conceives decentralisation as an end in itself and not as a means to the realisation of some goal. It views decentralisation in terms of idealisation, that is, a theory which holds that things exist only as ideas in the mind.

2. Political Approach It says that the creation of decentralised units with a set of operational autonomy is governed by political factor. For example, the creation of Panchayati Raj as a rural local self governing body in our country is politically determined

3. Administrative Approach It says that the establishment of autonomous decentralised units in the fields is determined by the factor of administrative efficiency, that is, better decision-making and faster problem-solving. For example, the creation of regions, divisions, districts, sub-divisions, talukas and circles between the state headquarters and the field.

4. Dual-role Approach It conceives decentralisation as a method of resolving conflicts in field administration between tradition and change. The usage of status-quo oriented colonial field administration to bring about speedy socio-economic change is leading to area-function dichotomy in district administration in our country.

5.11.5 Merits of Centralization

1. It provides for maximum control over the entire organisation.
2. It ensures that *all* the work is performed in the same manner and in accordance with the same general policies and principles.
3. It makes administrative abuses more difficult in matters like employment and handling of personnel, purchase and use of supplies and so on.
4. It secures economy in administration by avoiding duplication of work.
5. It facilitates the introduction of dynamism in the organisation through the active role of personal leadership.
6. It is suitable for dealing with emergencies and unanticipated matters.
7. It enables the maximum utilisation of the human and material resources in the organisation and thus develops a corporate personality.

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5.11.6 Demerits of Centralization

1. It leads to delay in securing action as the field officials have to refer the matter to the higher authorities.
2. It makes the head-office overburdened due to "apoplexy at the top and anaemia at the extremities."
3. It leads to autocratic control over subordinates and thus results in lack of flexibility in administration.
4. It makes administration irresponsive as the head office acts without the knowledge of local conditions and requirements.
5. It does not facilitate people's participation in administrative process.
6. It does not allow the development of second line of executives.
7. It is not conducive for the expansion and diversification of the organisation.

5.11.7 Merits of Decentralization

1. **It** increases administrative efficiency by reducing delays, curbing red-tapism and encouraging faster action.
2. It reduces the workload of the head office and thus enables the top echelons to concentrate on vital issues like policy formulation, examining major problems and so forth.
3. It develops resourcefulness and self-respect among the subordinates by making them to take decisions with a sense of responsibility.
4. It makes administration more responsive as the field units act with the knowledge of local conditions and requirements.
5. It facilitates people's participation in administrative process and thus strengthens democracy at the grass-root level.
6. It allows the development of second line of executives due to adequate delegation of authority to the lower levels.
7. It encourages the expansion and diversification of the organisation for effective goal-achievement.
8. It facilitates the adaptation of national policies and programmes to the varying conditions of different regions.
9. It alleviates the problem of communication overload in the organisation by reducing paper work at both higher and lower levels.
10. It encourages competition and comparative standards of evaluation among several competing field units.
11. It makes possible the experimentation in decision-making and implementation by several units without committing the whole enterprise to an untried course of action. According to J.C.

CharlesWorth, "Decentralisation has a more important justification than mere administrative efficiency. It bears directly upon the development of a sense of personal adequacy in the individual citizen; it has spiritual connotations."

5.12 DEMERITS OF DECENTRALISATION

1. It complicates coordination and integration of the activities of various units due to decrease in the degree of central control over the total organisation.
2. It makes communication among various levels difficult and thereby reduces its effectiveness and authenticity.
3. It makes administration expensive due to duplication of work and lack of centralised housekeeping services.
4. It is not suitable for dealing with emergencies and unanticipated matters.
5. It encourages divisive forces in the organisation and thus threatens the organisational integration.
6. It weakens the national perspective in administration by breeding localism and parochialism.
7. It increases administrative abuses like corruption, maladministration, nepotism, and so on. These things can be seen in the working of Panchayati Raj in our country.

5.12.1 Effectilie Decentralisation

J.C. Charlesworth suggested the following safeguards to make the decentralization effective:

1. Field offices should report to one central agency only.
2. Jurisdictional lines should be meticulously drawn.
3. Procedures in the several field offices should be of a common standard, although they need not be uniform.
4. Field office should have a sufficient flexible physical and psychological structure to permit it to adjust to the emergent local conditions.
5. Field office should not make decisions affecting overall policy, although it should be encouraged to make its own decisions to a point approaching that situation.
6. A system of ready appeals should be present.
7. Suggestions from the field to the centre should be freely channelled.
8. Adequate reporting and inspection methods should provide the centre-head with full and current knowledge of field operations.

5.12.2 Factors Governing

According to James W. Fesler, the issue of centralisation versus decentralisation is governed by four factors. They are explained below:

I. Factor of Responsibility Since the Central agency is held responsible for everything in the organisation, it does not easily delegate

wide discretionary authority to the field offices and prefers to direct and control all their operations. Thus the factor of responsibility acts as a deterrent to decentralisation and favours centralisation.

2. Administrative Factors These include age of the agency, stability of its policies and methods, competence of its field personnel, pressure for speed and economy and administrative sophistication. An old agency with well-established procedures and precedents finds it easier to decentralise than newer one where frequent reference to the higher level is inevitable. Stability of organisational policies and methods facilitates decentralisation while frequent changes in them favours centralisation. The more competent the field staff, the greater the propensity to decentralisation. The pressure for speed and economy in administration inclines toward decentralisation. Finally, the administrative sophistication, that is, a professional approach to the problem of delegation also influences decentralisation.

3. Functional Factors These include the variety of functions performed by the agency, the technical nature of functions, and the need for countrywide uniformity. The scope for decentralisation is greater in a multi-functional organisation than in a uni-functional organisation. Similarly, the technical nature of functions performed by the agency necessitates decentralisation as the head cannot have the technical competence to manage all of them directly. The need for uniformity throughout the country in functions like defence, communications, transport, planning and so forth favours centralisation.

4. External Factors These include the demand for people's participation in the administration of development programmes, the pressure of political parties and interest groups, the need to strengthen grass-roots democracy and the demand for "Planning from below". All these factors favour decentralised system and work against the centralising tendencies in administration.

5.12.3 Patterns of Field Organization

I. W. F. Willoughby

He distinguished between two patterns of field organisations, namely, unitary and multiple. These are also known as territorial and functional respectively. In the unitary or territorial system, all the field offices of an area are placed under the supervision and control of a chief administrator who in turn is responsible to the headquarters for their working. This is found in France where all the officials of the central government working in the department (the largest unit/area of local administration) are placed under the supervision and control of the prefect. In the multiple or functional system, the different divisions of the headquarters deal with their respective field offices directly. There is

no intervention of the supervising and controlling authority in between them at the area level

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. 2. Luther Gullick

He distinguished between three types of field organisations, namely: (a) All Fingers, (b) Short Arms, Long Fingers, and (c) Long Arms, Short Fingers. The word 'arms' denote the regional offices, while 'fingers' indicate the lines of communication reaching to the lowest field offices at the firing line. In the 'All Fingers' type, the headquarters control the field offices directly; there being no regional subdivisions. In the 'Short Arms, Long Fingers' type, the regional sub-divisions are physically located in the headquarters itself. They control the field offices in their respective spheres. In the 'Long Arms, Short Fingers' type, the regional sub-divisions are physically located in the field itself, far away from the headquarters, and control the respective field offices.

UNIT-VI DELEGATION

Structure:

- 6.1 Delegation
- 6.2 Features
- 6.3 Types
 - 6.3.1 downward, upward and sideward
- 6.4 Advantages
- 6.5 Limits
- 6.6 Hindrances
 - 6.6.1 Organizational hindrance
 - 6.6.2 Personal hindrances
- 6.7 Principles
- 6.8 Suggested Readings

6.1 DELEGATION

The principle of hierarchy (scalar principle) binds together the different unit and levels of the organisation and with a continuous chain of authority. The essence of this principle is this the delegation of authority.

Definition

The following definition bring out the meaning of the dedication.

Mooney : " Delication means conferring of specified authority by a higher to a lower authority."

Terry

"Delegation means conferring authority from one executive or organisational unit to another."

Millet:" delegation of authority means more than simply assigning duties to other in more or less detail. The offence of delegation is to confer discretion upon others, to use their judgment of meeting specific problems with the framework of their duties. "

6.2 FEATURES

As excellently analyzed by Mohit Bhattacharya, scheme of delegation has 4 features:

- (i) Payment of duties by the superior (delegator) to the subordinate(delegate)
- (ii) Granting of authority by the dedicated to the delicate to facilitate the work assigned to him.

(iii) Creation of an application obligation that is, the dedicatee become duty bound to complete the work.

(iv) No further delication of the obligation by the dedicatee to his subordinates.

It must be clarified here scheme of delegation is subject to the supervision and control of the delicator. Further, authority once delegated can be enhanced, reduced or taken back by the delgator. While delegating authority, the delegator neither transfer his final authority nor abdicates his ultimate responsibility.

To sum up, delegation stands for the grant of authority by superior to a subordinate for the attainment of specific assignment. The delegator still retains the delegated authority but its exercise is permitted to the delegate. Thud, delegation has a dual character in this context, Terry observes, "its is something like imparting knowledge you share with others. Who then posses the knowledge; you still retain the knowledge too."

However, M. P follet considered the concept of delegation as a mere myth of organisational (administrative) theory. She believed that "authority belongs to the job and stay with the job." hence, one who does the job, must have the authority whether his superior

Likes it or not. As authority belongs to the function (job), it cannot be delegated. The term 'delegation of authority' is thus an 'obsolete expression'. She asserted, "authority must be functional and functional authority carries with it responsibility.

6.3 RELATED CONCEPTS

Delegation different decentralization devolution and deconcentration which also imply transfer of authority to stop. In other words of muttalib, "Decentralisation is based on administrative action revolution on political and legal and decentralization on political legal and administrative action." for example Panchayati Raj signifies decentralisation while, the office of district Collector deconcentration. The transfer of authority from the Centre to the States implies devolution.

6.3.1 Downward, upward and sideward

According to Terry, delegation is not necessarily downward ;

Is can as well be upward or sideward. It is further explained below :

- i. Dedication is downward when a higher authority dedicates to lower authorities. Example a sales manager dedicating to salesman.
- ii. Dedication is upward when a lower authority dedicates to your higher authority. For example shareholders dedicating to their Board of directors
- iii. Dedication is sideward when it is at equal levels. For example dedication between African tribal chief's and their Central tribal authority.

Outward Delegation

Delegation is outward when authority is granted to the outside body which is not under the direct control of the dedicated dedicator. For example dedication to Ad - Hoc committees set up for a specific purpose.

Permanent and Temporary

Delegation is permanent when authority is conferred forever while it is temporary when authority is granted for a short period. Usually dedication is temporary.

Full and Partial

Delegation is full when complete powers are granted to the delegatee to take final decision and actions while it is partial when the delegatee has to consult the delegator on important aspects of the job assigned to him.

Normally, delegation is partial and full delegation is rarely found, as for example when a diplomatic representative is sent abroad with full power to negotiate. Full delegation is known as 'alter ego'.

Conditional and unconditional

Delegation is conditional when the decision and action of the delegatee is subject to control and confirmation by the delegator while it is unconditional when the delegatee is free to take decisions and act without any reservation.

Formal and informal

Delegation is formal when based on written rules and orders, while it is informal when based on customs and conventions.

Direct and Intermediate

Delegation is direct when no third person is involved, while it is intermediate (indirect) when it is made through a third person.

Usually, delegation is direct (immediate) and intermediate (indirect or mediate) delegation is rather rare. But Mooney gave two instances of such delegation: the election of the president of

USA by the people through electoral college and the election of the pope by the congregation through council of cardinals.

6.4 ADVANTAGES

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Delegation is functional imperative for all kinds of organisations. It is needed for the following reasons.

- a. To reduce burden on the superior
- b. To avoid delay in administrative process
- c. To have proper adjustment of policy and a programme to local conditions
- d. To train the subordinates in the art of sharing responsibility and making decisions
- e. To develop second line of leadership
- f. To overcome complexity in procedures that is delegation to specialist
- g. To increase the sense of responsibility and interest in the employees
- h. To overcome congestion of work at the top level

6.5 LIMITS

Even though delegation is essential and advantageous, no superior can reminder himself superfluous by dedicating entire authority vested in him. He has to retain some important power to exercise effective control over the functioning of the organisation thus, the extent of delegation depends upon the nature of the case, the circumstances, and the responsibility involved. As identified by M. P. Sharma, the following powers are usually not delegated.

- i. The power to supervise the work of first line or immediate subordinates.
- ii. The power to sanction expenditure above a specified amount and the power of general financial supervision.
- iii. The power to sanction new policies and departure from old policies.
- iv. The power to make rules and regulations.
- v. The power to make specified hire appointments.

- vi. The power to hear appeals against the immediate' subordinates' decisions.

6.6 HINDRANCES

Hindrances to delegation can be grouped into two kinds, viz organisational and personal.

6.6.1 Organizational hindrance

- i. Lack of well-established organisational methods procedures and rules.
- ii. Unstable under non repetitive character of work.
- iii. Lack of effective means of internal Communications.
- iv. Centralization requirement of special programs V top.
- v. Small size and narrower Geographic coverage of organisation V top.
- vi. Lack of well defined positions in terms of responsibility and authority.
- vii. Incompetency and low calibre of low lower level personal.
- viii. The lesser age of the organisation due to few precedents.
- ix. The constitutional, legal and political restrictions. I
- x. The crisis situation faced by the organisation.
- xi. Lack of effective means of work control .

6.6.2 Personal hindrances

According to J.M.Piffner., the following are the personal hindrance to delegation:

- i. Persons who rise to position of hierarchical leadership have more than normal egotism.
- ii. They are afraid that others will not make proper decisions or carry them out in a desired manner.
- iii. They fear that disloyal or subversive power centre will develop strong subordinates.
- iv. Strong, vigorous, and highly motivated persons become impatient with the slower pace and indecisiveness of subordinates.

- v. In public administration political consideration often make delegation difficult.
- vi. The cultural heritage of man has been out of authoritarian, patriarchal leadership thus, the practice of delegation is partly dependent on cultural change.
- vii. The act of delegation requires an emotional maturity which apparently is rare, even among successful persons.
- viii. The symbols of relationships (those personal qualities and traits which attract the attention of others) are inconsistent with the philosophy of delegation. Those Striving to succeed must make themselves prominent.
- ix. Persons who decided to dedicate do not know how. They do not know how for at least two reasons:(a) the science of organisation and management is immature and(b) their work experience has not taught them to delegate because most organisations fail to practice
- x. Delegation.

6.7 PRINCIPLES

The observance of following principles makes delegation of authority effective.

- i. Delegation should be specific and written.
- ii. Delegation should not be made to an individual but to a position.
- iii. The competence of the subordinate should be taken into consideration.
- iv. Authorities and responsibility should be continuous and coequal.
- v. Delegation should be properly planned.
- vi. Delegation should follow the usual chain of command.
- vii. Well defined policies, regulations and procedures should be adopted.
- viii. The communication system should be kept free and open, and systematic reporting system should be maintained.
- ix. Delegation should be followed by a performance appraisal system.
- x. Delegation should be based on the principles of Unity of command.
- xi. Delegation should be backed by adequate resources.

6.8 Suggested Readings

1. Ramaswamy.T, Principles of Management [Eight Edition]
Himalaya Publishing Home Pvt Ltd, Mumbai. 2012,
2. L.M .Prasad,Principles and Practice of Management,Sultan Chand&Sons
2015
3. Koontz and O'Donnell,Management:A Global

UNIT – VII STAFFING

Structure

7.1 General Principles of Staffing

7.1.1 Importance of Staffing

7.2 Job Analysis

7.3 Job Description

7.4 Job Specification

7.5 Suggested Readings

7.6 Answers To Check Your Progress Questions

7.7 Summary

7.8 Self Assessment Questions And Exercises

7.1 GENERAL PRINCIPLES OF STAFFING

Staffing is the traditional management function of attraction and selection of the best people and putting them on jobs where their talents and skills can be best utilized, and retention of these people through incentives, job training and job enrichment programmes, in order to achieve both individual and organizational objectives. This emphasizes managing human and not material or financial resources. This function is becoming extremely specialized due to the unique importance and complexity of human nature and its ever-changing psychology, behaviour and attitudes.

The staffing function is generally handled by the personnel department where the personnel management is concerned with ‘planning, organizing, directing, and controlling of the procurement, development, compensation and integration of people into the system for the purpose of contributing to organizational, individual and social goals.’

7.1.1 Importance of Staffing

The importance of staffing can be understood through the following points:

It helps in ensuring that the right personnel is selected and recruited to the right positions so that maximum level of productivity is maintained.

It assists in attaining the judicious utilization of human resources.

It helps in bringing down superfluous labour costs in tune with the productivity. It helps in discovering and hiring of qualified candidates for the right jobs in the organization.

It assists in making sure that the morale of the employees and job satisfaction is kept at a good level.

It ensures that there is not a shortage of employees or workforce in the organization so that the processes are not hampered or stalled unnecessarily.

It attaches value to the staffing process so that the employees as well as the organization uses the work force in a productive and ethical manner.

Step 1 Job analysis: Analyse the job by preparing a job description, job specification and job analysis.

Step 2 Actual recruitment: This would explore all the internal and external sources from where the required personnel can be recruited.

Step 3 Employee selection: This crucial step involves using such techniques as would identify and isolate suitable people who would eventually be selected.

Step 4 Retention: When the right people have been hired, they must be retained so that they stay with the organization for a long time. This step discusses such factors that are influential in maintaining the work force.

Step 5 Training and development: This consists of all such programmes that assist in continuous growth and development of employees.

Step 6 Performance appraisal and career development: This step involves devising methods that would judge an employee's performance over a period of time and providing opportunities to employees to develop their careers and managerial talents.

Let's discuss some of these topics in this section.

Check Your Progress

1. Why the human factor is considered the most important for the success of an organization?
2. What is job specification?

7.2 Job Analysis

Job analysis is an orderly study of job requirements and involves systematic investigation relating to the operations and responsibilities including knowledge, skills and abilities required for the successful performance of a job.

7.3 Job Description

Job description is a systematic, organized and written statement of ‘who does what, when, where, how and why,’ and is a tangible outcome of job analysis. It describes the work to be performed, the responsibilities and duties involved, conditions under which the work is performed, the relationship of one job with other similar or dissimilar jobs and the skill, education, and experience required. A job description is used for a variety of purposes such as recruitment and selection, and job evaluation.

7.4 Job Specification

Job specification cites personality requirements and lists qualifications both physical and mental, necessary to perform the job properly. It is used to inform the prospective employees about minimum acceptable qualities required to get the job and perform it well. It may be a specific period of experience, educational degree or physical requirements such as height, weight, etc.

7.5 SUGGESTED READINGS

1. Ramaswamy.T, Principles of Management [Eight Edition]
Himalaya Publishing Home Pvt Ltd, Mumbai. 2012,
2. L.M .Prasad,Principles and Practice of Management,Sultan
Chand&Sons 2015
3. Koontz and O'Donnell,Management:A Global
Perspective.McGrawHill,1998

7.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. It is used to inform the prospective employees about minimum acceptable qualities required to get the job and perform it well. It may be a specific period of experience, educational degree or physical requirements such as height, weight, etc.
2. An empowering leader has to go through four stages:

- (i) Empowering you,
- (ii) Demonstrating empowerment,
- (ii) giving management guarantees, and
- (iv) Taking risks.

3 Five stages of career are exploration, establishment, mid-career, late career and decline.

4. Identification of training needs must contain three types of analysis:

- Organizational analysis
- Operations analysis
- Man analysis

7.7 SUMMARY

- **Staffing:** It is the traditional management function of attraction and selection of the best people and putting them on jobs where their talents and skills can be best utilized, and retention of these people through incentives, job training and job enrichment programmes, in order to achieve both individual and organizational objectives.
- **Recruitment:** It is the process of attracting qualified personnel, matching them with specific and suitable jobs, and assigning them to these jobs.
- **Selection:** It is a process of choosing the right candidate from a pool of applicants. This process is established to achieve a good match between the job requirements and the candidate's skills and motives.
- **Orientation:** It is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purpose of the organization.
- **Training:** It is a process of learning a sequence of programmed behavior. It is application of knowledge.
- **Performance appraisal:** It is method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance.

7.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short Answer Questions

1. What is staffing function?
2. What is staff authority?
3. Write a short note on orientation in an organization.
4. What is career development?
5. Briefly discuss training in an organization.

Long Answer Questions

1. Explain empowerment in an organization.
2. Describe the process of selection.
3. Explain the different career stages of an employee.
4. How is recruitment carried out in an organization?
5. Discuss the process of performance appraisal.

Notes

UNIT VIII MOTIVATION

STRUCTURE:

- 8.1 Theories of Motivation (Maslow And Herzberg)
- 8.2 Definition
- 8.3 Theories /Models
- 8.4 Traditional Theory
- 8.5 Maslow's Hierarchy Of Needs
- 8.6 Appreciation.
- 8.7 Herberg 'S Two - Factor Theroy
- 8.8 Suggested Readings

8.1 THEORIES OF MOTIVATION (MASLOW AND HERZBERG)

Meaning

The term 'motivation' is derived from the Latin word 'movere' meaning 'to move'. In the performance organisational context, motivation implies a basic physiological process. Rensis likert views motivation as "the core of management".

8.2 DEFINITION

Fred luthans :

"Motivation is a process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at goal or incentive. "

Koontz and O'Dennel :

" Motivation is General term applying to the entire class of drive, desire, needs, wishes and similar forces that induce and individual or a group of people to work."

Beralson and steiner :

"A motive is an inner state that energises activates or moves(hence motivation) and the direct or channels behaviour towards.

Morgan :

" Motivation is a general form referring behaviour instigated by needs and directed towards goals."

Thud, motivation is a psychological process which energises and activate individuals to achieve this formulated goals.

8.3 THEORIES /MODELS

There are two categories of motivation theories, that is, content and process.

While making a distinction between the two, Fred Luthans observes, The content theorists are concerned with identifying the the needs / drive that people have and how these needs / drive are prioritised. The the process theories on the other hand are more concerned with cognitive antecedents then go into motivation or effort and more important the way they relate to one another.

Smilarly, J. S. Chandran, observe "the content theories atom to determine and specify drive and that motivate people to work under process there is attempt to identify the variables that go into motivation and their relationship with each other. "

The theorists propounded by Maslow, McGregor, Herzberg, and Alderfer are the important content theorists of motivation while the theories propounded by Victor Vroom, Porter-Lawler, Stacy Adams and Harold Kelly are the important process theories of motivation. The various theories of motivation are explained below.

8.4 TRADITIONAL THEORY

The Traditional Theory of Motivation is also known as by three other names: (a) Monistic Theory explains human motivation in terms of economic factors only, that is , it assumes each worker as a classical 'economic man' who is interested in maximizing his monetary income. thus , this theory says that people produce more by working harder when adequate material rewards are available or when there is a strong fear of punishment (e.g withdrawing rewards) in case of non-Performance.

F.w. Taylor, the father of scientific management theory, was the first major exponent of this approach and later on, all the classical thinkers supported this theory.

However , this theory came to be criticized by the human relationship and behaviorists on the ground that it has over-simplified and underestimated human motivation by neglecting the non-economic factors , that is , socio-psychological factors . Chester Barnard observed "it seems to me to be a matter of common experience that material rewards are ineffective beyond the subsistence level excepting to a very limited proportion of men ; that most men neither work harder for more material things; nor can be induced thereby to devote more than a fraction of their possible contribution to organisational effort."

8.5 MASLOW'S HIERARCHY OF NEEDS

Abraham Maslow in his classic paper A theory of human Motivation (1943) propounded the 'Need Hierarchy' theory of human motivation. His popular book motivation and personality was published in 1954.

Maslow's Need Hierarchy is the first systematic conceptual model of human motivation. He explained that human needs influence human behavior. He, being a psychologist, understood human behavior through psycho-analysis.

Maslow's need hierarchy concept consist of five levels of human needs arranged in an ascending order. This is in shown in Fig. 4.8.



FIG.4.8 Maslow's Hierarchy of Needs

Psychological needs (biological needs) like hunger, thirst, sleep, sex

Security needs (safety needs) like protection against natural calamities thread danger.

Social needs love needs like belongingness of groups family friendship.

Estimate needs ego needs which can be divided into two groups naming achievement needs like self confidence independence competence and recognition needs like status importance

8.6 APPRECIATION.

Self actualization needs like self fulfillment realisation of ones potential creativity e v top the term self actualization was first coined by Kurt Goldentein.

Maslow divided these needs into lower order needs viz. Psychological security and social and higher order needs, viz Esteem and self actualization.

According to Maslow human being usually strive to satisfy dear psychological needs first. Once this are satisfied they no longer motivate human behaviour. People then are motivated by the next higher order needs that is security needs. Like this human beings strive to satisfy their needs in the sequential order and in a step-by-step manner. The prepotency(urgency) of a satisfied need decrease and another unsatisfied need emerges to replace it. However satisfaction is a relative term that is the emergence of need is a gradual phenomenon not sudden . Moreover the hierarchy of needs not as rigid as it is implied in the concept and in the concept and needs are not water right compartments. Thus, human needs are inter dependent interrelated and overlapping and human behaviour is multi motivated.

Maslow's theory, though phenomenon contribution to motivation theory has been criticized by the following critics.

Lawler, suttel and porter in thier research studies found that human needs do not conform to a hierarchy as suggested by Maslow. Hall and Nougaim also agreed to this.

Cofer and Apply criticised Maslow's concepts of self-actualization as being vague, loose and inadequate.

Wabha and Birdwell in their research found that human beings have two primary cluster of needs viz. Deficiency needs and growth needs, instead of five needs as advocated by Maslow.

According to Michael Nash, Maslow's theory, though interesting. is not valid. He observes, "the problem with Maslow's need hierarchy is that it cannot br turned into a practical guideline for managers who are trying to make people productive."

Bass and Bartlett say that Maslow's hierarchy of needs theory has been most popular and most interesting than true.

8.7 HERBERG 'S TWO - FACTOR THEROY

Frederick Herzberg' s two factor theory of motivation is also known as motivation - hygiene theory or motivation - maintenance theory. His books are:

- 1.The motivation to work (1959).this is written in collaboration with B. Mausner and B Synderman.
2. Work and the nature of man (1966).
3. Managerial choice : To Be effective and to be Human (1976).

In addition to these Choice: Herberg also published the following two articles:

1. One more time : how do you motivate employees (1968).

2 . job enrichment pays off (1969), along with W J Paul K B Robertson(Jr).

Herberg interviewed two hundred engineers and accountants, who represented a across section of Pittsburg Industry to find out the factors which are responsible for motivation. He used the critical incident method of obtaining data for analysis. He asked them about, even they had experienced network reach which ever had resulted in market improvement in their job satisfaction forehead lead to make mark reduction in a job satisfaction.

Herberg sound that set of factors involved in the job satisfaction events where entirely e different from the set of factors involved in the jobs dissatisfaction events. He called the farmer set of factors as 'satisfiers' (motivators or growth factor or intrinsic factor) and the latter set of factors 'dissatisfiers' (hygiene factor or maintenance factors for extrinsic factors) these are mentioned below in table 4.4.

Herzberg’s two factor theory:

Hygiene factor	Motivators
Company policy and administration	Achievement
Supervision	Recognition
Salary	Work itself
Interpersonal relation (supervisor)	Responsibility
Working conditions	Advancement
Relationships with peers	Growth
Personal life	
Relationship with subordinates	
Status	
Security (job)	

According to Herzberg two sets of factors have to separate themes. The motivator describes man's relationship to what he do is job content. In other words they are related to the nature of work and are thus intrinsic to the job itself. They are effective in motivating the individuals to superior performance and effort. Thus, they do not cause dissatisfaction with their absence while their presence brings satisfaction the hygiene factors on and on the other hand describes man's relationship to the context our environment in which he does his job . In other words, they are related to the surrounding or peripheral aspects of the job and are thus, extrinsic to the job. They do not motivate individual tour to a better performance and effort. They serve primary to prevent job dissatisfaction and maintain status quo. Thus, they cause dissatisfaction with the thier absence while their presence do not bring satisfaction. As summarised by Fred Luthans, "In effect , they bring motivation up to theoretical zero level land and necessary floor to prevent dissatisfaction and they serve as take-off point for motivation. By themselves the hygiene factors do not motivate. "

Herberg used the term 'hygiene' in an analogy to the medical use of that meaning 'Preventive' environmental. In other words he called the dissatisfiers 'as the' Hygiene ' factors because they act in a manner analogues to the principle of mental hygiene. Hygiene is not curative but preventive.

According to Herzberg hygiene factors lead to job dissatisfaction because of a need to avoid unpleasantness. The motivators on the other hand lead to job satisfaction because of a need for growth for self actualization. In his words "at the psychological level, the two dimensions of job attitudes reflected two dimensional need structure one need system for the avoidance of unpleasantness and parallel need system for personal growth.

Herzberg set that man's basic needs can be depicted d to parallel arrows pointing in opposite directions.

Animal - Adam: avoidance of pain from environment.

Human - Abraham : seeking growth from tasks.

One arrow depicts his animal Adam nature which is concerned with avoidance of pain steaming environment for stop. The Other Arrow represent man's human Abraham nature which is concerned with approaching self fulfillment or psychological growth through the accomplishment of tasks.

Herzberg's two factor theory of motivation can be summarized in the following way.

The factors involved in producing job satisfaction or separate under distinct from their factors lead to job dissatisfaction.

The opposite of job satisfaction is not job dissatisfaction. But rather no job satisfaction.

Similarly the opposite of job dissatisfaction is no job dissatisfaction not job satisfaction.

Thus, motivate are mainly unipolar i. e they contribute very little to to job satisfaction.

Herzberg has divided people working in in organisation into two categories called 'seekers' ' motivation seekers'. Their characters are mentioned in table 4.5.

Characteristics of Hygiene and motivation seekers :

HYGIENE SEEKERS	MOTIVATED SEEKER
1. Motivated by nature of the environment. 2. Chronic and heightened dissatisfaction with various aspects of his job context, e. g salary,	Motivated by nature of the task. Higher tolerance for poor hygiene factors

supervision, working conditions, status, job, security, company policy and administration, fellow employees.	
Over reaction with satisfaction to improvement in hygiene factors.	Less reaction improvement in hygiene factors
Short duration of satisfaction when hygiene factors are improved	Similar.
Over reaction with dissatisfaction when hygiene factors are not improved.	Milder discontent when hygiene factors need improvement..
Realizes little satisfaction from accomplishments.	Realize great satisfaction from, accomplishment.
Shows little interest in the Kind and Quality of work he does.	Shows capacity to enjoy the kind of work he does.
Cynicism, regarding positive virtues of work and life in general.	Has positive feelings towards work and life in general .
Does not profit professionally from experience.	Profits professionally from experience.
Phone to cultural noises (a) Ultra liberal ,Ultra conservative (b) Direct management philosophy. (c) Acts more like the top of management then top management does.	Belief systems sincere and considered.
May be successful on the job because of talent.	May be an over achiever

Unlike Maslow's theory which is descriptive herbert's theory is perspective. Thus, suggested the concept of job enrichment as against their traditional concept of job enlargement to motivate members after organisations. The technique of job enrichment according to hair back involves the decision of job in such a way as to to provide opportunities. For achievement organization responsibility and advancement and growth. It does not necessarily involve more task to perform but more autonomy accountability and responsibility in term of planning executing controlling and evaluating of the job. The sun like job enlargement which loads expanse of job horizontally and increase it scope job enlargement loads expanse job vertically E and increase its depth. And increase its depth.

However, Herzberg 's two factor theory of motivation in spite of being popular came to be e by various critics stop.

House and Wigdor criticised it on the following five grounds:

It is method Bound that is by the critical incident method of research and data collection. According to this method the respondent Were asked to state only, extremely satisfying and this satisfying job incidents.

Raters bias, that is, there was no control 219 maintain consistent evaluation by the raters.

The research study failed to measure the overall job satisfaction as 8 it measured by only extreme happiness and un happiness respectively.

It is inconsistent with previous research as it ignored the situation variable.

Its research methodology looked only at satisfaction not at productivity.

Michael Nash describe the theories of maslow and herberg as" major wrong theories ".

Hinton also questions Herbals research methodology.

Myers research findings support Herzberg's theory only partially.

Donalds schewab obtained different results when he applied Herzberg 's metrology.

8.8 Suggested Readings

1. Ramaswamy.T, Principles of Management [Eight Edition]

Himalaya Publishing Home Pvt Ltd, Mumbai. 2012,

2. L.M .Prasad,Principles and Practice of Management,Sultan Chand&Sons 2015

3. Koontz and O'Donnell,Management:A Global Perspective.McGrawHill,1998

UNIT-IX COMMUNICATION

- 9.1 Significance
- 9.2 definitions
- 9.3 Types
- 9.4 Media
- 9.5 Theoretical Contributions
 - 9.5.1 Henry Fayol
 - 9.5.2 Chester Barnard
 - 9.5.3 Herbert Simon
 - 9.5.4 Norbert Wiener
- 9.6 Process
- 9.7 Elements or Principles
- 9.9 Suggested Readings

9.1 SIGNIFICANCE

Communication is an important principle of organisation and is essential to realizing its objectives. Millet describes communication as the "blood stream of an administrative organisation". According to Piffner, communication is the "heart of Management".

Chester Barnard remarked: "The first executive function is to develop and maintain a system of communication". He called it the foundation of co-operative group activity.

According to Peter Drucker, "good communication is the foundation for sound administration". Norbert Wiener said, "communication is the cement that makes an organisation". Terry observed: "communication serves as the lubricant, fostering the smooth operations of the management process".

9.2 DEFINITION

The word communication is derived from the Latin word *communis* which means common. Hence, communication means sharing of ideas in common.

Keith Davis: "Communication is the process of passing information and understanding from one person to another."

Newton and Summer : " communication is an exchange of fact, ideas, opinions or emotions by two or more persons".

Koontz and O. Donnel: "communication is an intercourse by words, letters, symbols or messages ; and is a way that one organisation's member share meaning and understanding with other."

McFarland : "communication may be broadly defined as the process of meaningful interaction among humans begins. More specifically, it is a process by which meaning are perceived and understanding are reached among human beings.

M. W. Cunning :" The word communication describes the process of conveying messages (facts, ideas, attitudes and opinions) from one person to another so that they are understood. "

Millet: " communications is the shared understanding of shared purpose. "

Louis A. Allen: " Communication is the sum of all the things one person does when he want to create an understanding in the mind of another . It involves systematic and continuous process of telling, listening, and understanding. "

Chester Barnard :" A communication that cannot be understood can have no authority."

Peter Drucker: "communication is the ability of the various functional groups up within an Enterprise to understand each other and other's functions and concerns.

Thus, the above definition makes it clear that the essence of communication is understanding information, not transmitting information.

9.3 TYPES

Organisation communication has three aspects viz. internal communication, external communication and inter-personal communication.

Internal communication is concerned with the relationship of the organisation with its employees. It can be *upward, downward and across*.

Upward communication is concerned with the employees relationship with the management downward communication is concerned with the management relationship with the employees Foster the former consists of performance reports and work problems while the latter consist of order and directions. Across communication is concerned with the relationship between co-equal authorities in an organisation. thus, unlike the upward and downward communications which are vertical in nature, the across communication is horizontal in nature.

External communication deals relationship of the organisation with the public. Hence it is known as 'public relation'. Inter-personal communication is concerned with the relationship among employees.

9.4 MEDIA

Media of communication are three types of namely audio, visual and audio - visual. Audio media is conferences, interviews and so on. Visual media comprises circulars, reports, pictorial forms, and others. Audio, - visual media is television, sound, - Motion Pictures, and so on.

The conference method of communication has attained popularity in the public administration. This method avoids delay reduces red tape and a minimise correspondence full stop according to millet the conference method

- i. **Enable** to gain Awareness of the problem.
- ii. Help in problem solving
- iii. Enables to gain acceptance and implementation of decisions.
- iv. Promote a sense of Unity among the officials working in the organisation,
- v. Encourages an exchange of information amng administrative personnel, and
- vi. Helps in appraising.

9.5 THEORETICAL CONTRIBUTIONS

The contributions of the following scholars led to the growth of communication as an important aspect of organisational behaviour.

9.5.1 Henry Fayol

He is the first administrative thinkers to give a comprehensive analysis of the problem or communication in an organisation. He highlighted the importance of speedy communication and provided a meaningful solution in the form of 'gang plank'. This noval concept implies the system of horizontal communication to avoid delay in the disposal of business.

9.5.2 Chester Barnard

He viewed organisation as a 'cooperative system' having three elements, v i z. Common purpose willingness to contribute and communication. Thus he viewed communication as a vital dynamic of the organisational behaviour and believed that it is major shaping force in the organisation. In his words, "The absence of suitable technique of communication would eliminate the possibility of adopting some purposes

basis of organisation. communication technique shape the form the internal economy of organisation."

9.5.3 Herbert Simon

He defines communication as any process whereby decisional premises are transmitted from one member of the organisation to another. He says, it is obvious that without communication that can be no organisation, for there is no possibility e of the group influencing the behaviour of the individual.

Like Barnard, Simon's also stresses the informal channels of communication (also known as a the 'grapevine' for the transmission of information. according to him, the in informal communication system is built around the social relationships of the members of the organization.

Simon highlight the importance of informal channel of communication when he said "the grapevine is valuable as a barometer of public opinion' in the organisation. If the administrator listens to it, it appries him of the topics are subject of interest to organizations members, and their attitude towards these topics. "

9.5.4 Norbert wiener

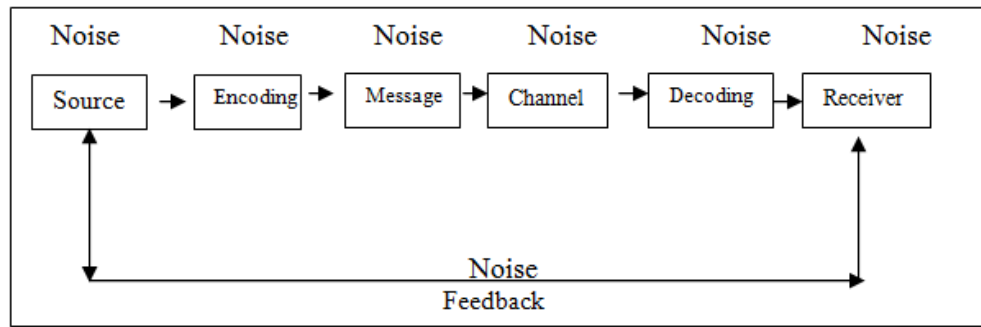
He pioneered in the field of 'cybernetics'. The word 'cybernetics' ie Greek term 'kybernets', meaning steer man or helmsman. This has influencer the contemporary approach to communication system.

Weiner says that organisational system moves in the direction of positive entropy' that is the organisations have a natural tendency towards disorder, disintegration and self - destruction. This tendency of organisational, system can be arrested through methodical information processing. Thus information is an antidotes To positive entropy and organisational system to reach a state of 'negative entropy and that is moving towards order and integration.

As observed by hikcs and gullet, Weiner' s "concepts of system control by information, feedback directly contributed to development of the electronic computer. He described an adaptive system (including an organisation) as utterly as dependent upon measurements and corrections through information feedback."

9.6 PROCESS

Claude Shannon and warren weaver developed the most widely used model of communication processes. This model consists of eight components : (i) encoding (ii) message (iii) source (iv) channel (v) decoding (vi) receiver (vii) feedback and(viii) noise :this is shown in the diagram below:



(i) The source is the initiator of communication who wants to transmit his ideas, thoughts, Needs, intentions or other pieces of information to another person.

(ii) Encoding is process in which ideas to be conveyed or translated into a code set of symbols or some other format of expressions.

(iii) The message is the actual physical product of from the source encoding. It represents the meaning which the source wants to convey.

(iv) That channel is the medium through which day message transmits. It is the connecting link between the sender (the source) and the receiver.

(v) Decoding is the process which translate the message into form that can be e understood by the receiver.

(vi) Receiver is a person whom the message is directed(conveyed.)

(vii) Feedback is the response from the receiver which enables the sender(the source) to determine whether the message was received and understand as originally intended .

(viii) Noise includes those factors in each of the component of communication that is the accuracy fidelity. thus, it can occur at any stage of in the communication process.

9.7 CHANNEL OR WORK

The channels (also known as network) of communication are two types, viz. Formal and informal. A formal channel of communication deliberately established by management for the transmission half official information. And income informal channel of communication on other hand is an unofficial channel and is the result of the operations of social forces at the workplace to stop. It is also known as the 'grapevine' and supplements formal communication.

There are 6 types of formal communication networks viz. chain, star, circle, all - channel, inverted V and Y.

There are diagrammically showed in Fig. 4.3.

(i) Under which a network the information and message flows only up or down hierarchical chain of command. In other words the chain network rigidly follows the formal chain of command in the organization.

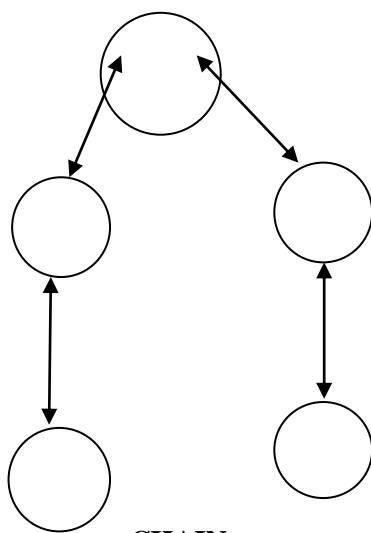
(ii) Under the Star Network the information and messages flows among the group members through a leader, that the central point. In other words, the group members do not communicate with each other directly but rely on the leader to act as the central conduit. It is the most centralized type of formal communication network. It is also known as the 'wheel', network.

(iii) Under the cycle network circle network the group members interact with the adjoining members only. In another hand the information and messages is transmitted laterally among the group members.

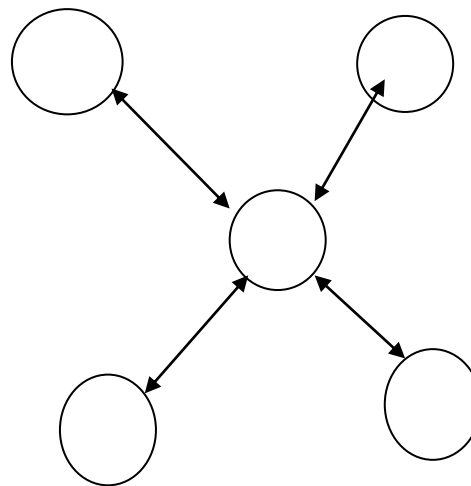
(iv) Under the all - channel network all the members of group activity communicate with each other freely. It is the most decentralised type of formal communication network. It is also known as the 'completely connected' network.

(v) under the inverted V network, a sub-ordinate communicate with his immediate superior as well as second superior (that is, his superior's superior). However, the matters on which information and message can be sent in the second case are specified.

(vi) under the Y network, two sub-ordinates through the hierarchical chain communicate with a superior. In turn, the superior communicates with two superior who are above him. This network is less centralised than the star network.

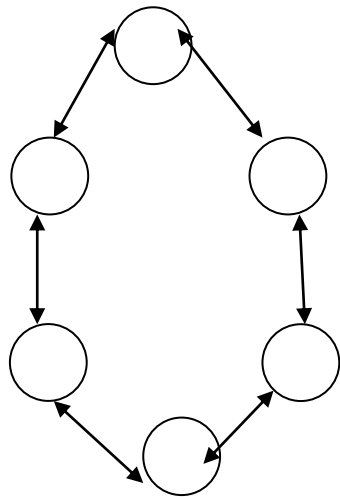


CHAIN

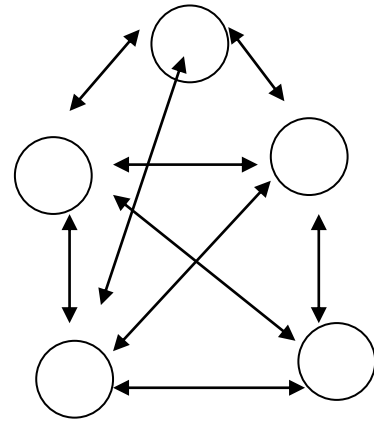


STAR

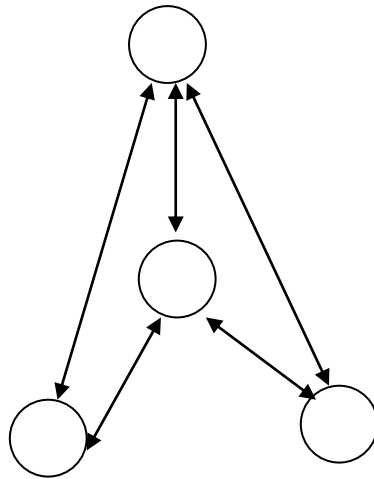
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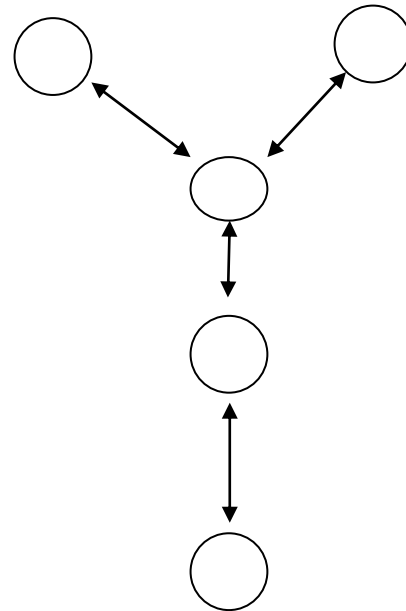
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ALL CHANNELS



INVERTED



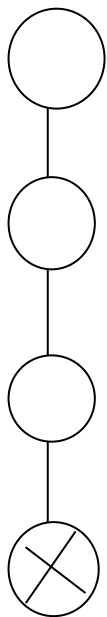
Y PATTERN

Keith Davis has investigated the phenomena of grapevine (informal communication,) in organisation. He observed that the grapevine "cannot be abolished, rubbed out, hidden under the basket, chopped down, tied up or stopped. If we suppress it in one place. It will pop up in another. If we cut off one its source, it merely moves to another one- quite similar to the way we change from one channel to another on a television set..... In a sense, the grapevine is man's birthright, because wherever men congregate in groups. The grapevine is sure to develop. "

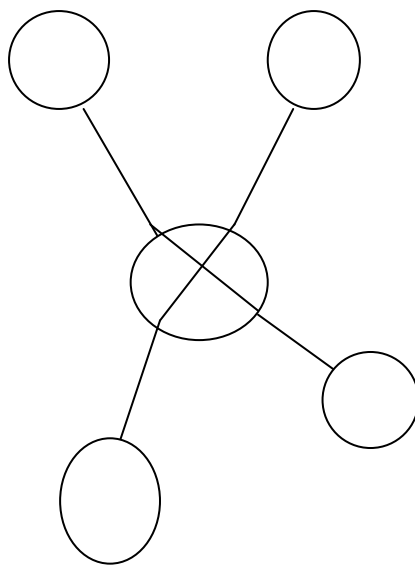
He identified four types of grapevine networks. Viz. Single strand, gossip, probably and cluster. These are digramatically show fig4. 4.

- i. Under the single strand network, the information passes from one to one, that is, one member communicates to another member who in turn communicates to another member, and so on.
- ii. Under the gossip network, the member communicates non-selectively, that is a member having information passes it on to everyone he meets.
- iii. Under the probability network, information passes according to the law of probability, that is, one member communicates randomly with other who in turn communicate to some others.
- iv. Under the cluster network, the information passes selectively, that is, one member communicates with only those members whom he trusts and they in turn pass it on to some other selected members.

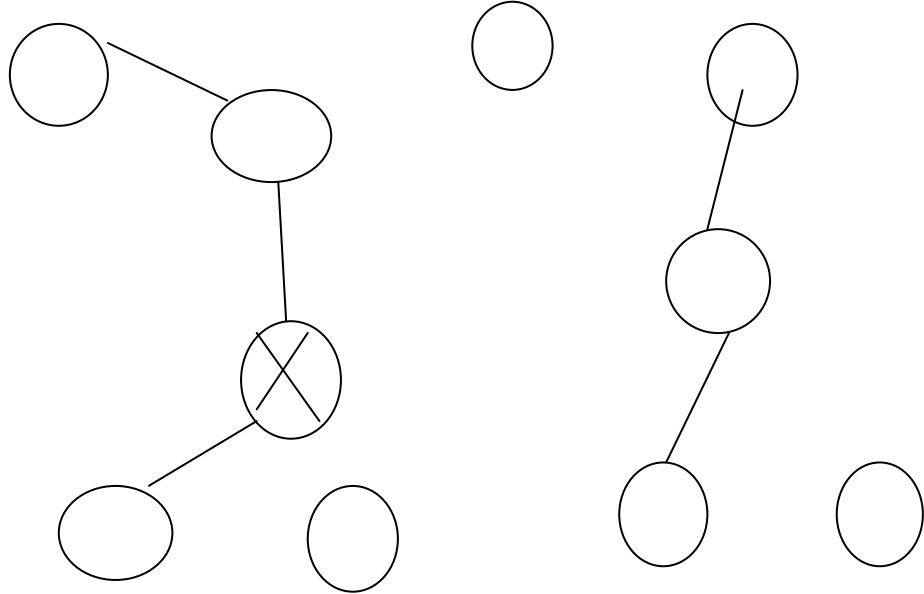
According to Keith's Davins., the cluster type of grapevine network is the most popular and widely prevalent in organisation.



Single strand



gossip



Probability

Cluster

Barriers and problems

The communication process in organisation face the following barriers and problems.

Semantic Barriers

These barriers are concerned with the language difficulties. These occur due to the

Differences in the individuals interpretations of words and symbols used in the process of communication. Rudolf Flesch in his article more About Gobbledygook(1945) observed " all official communications develop a curiously legalistic ring, humorously called 'Gobbledegook' language, which becomes impossible for a layman

Which becomes impossible for a layman to understand , In a desire, to be over-exact , over-abstract, and over-impersonal, official languages can become quite curt and even disagreeable,”

Similarly, Terry observed , “ intentional words do not refer to something that can be pointed out. They neither always connote an identical meaning to different persons nor the same meaning to the same person at all times”.

Ideological Barriers

The members of the organization do not share the same ideological perspectives and orientation. This affects the effective communication process. Pfiffner said, “Differences in background, education and expectation results in different social and political views. These are probably

the greatest handicaps to effective communication and probably the most difficult to overcome.”

Filtering

It refers to the sender’s purposeful and deliberate manipulation of information to be passed on to the receiver. It may be due to various factors. However, the extent of filtering is determined mainly by the number of levels in the organization’s structure. Thus, more the vertical levels in a hierarchy, the most scope for filtering and vice-versa.

Dogmatism

This means that the attitudes, opinions, and beliefs possessed by a person prevents him from accepting accurate and additional information as it conflicts with the current situation. This obviously affects the effective communication.

Halo Effect

As explained by hicks and gullet, “The halo effect is the result of two-valued thinking. In this situation, we see things only as dichotomies – good and bad , right and wrong , white and black , and so forth...., the danger here is that most situations are not dichotomous and, therefore, such thinking may over – simplify most real situations.”

Stereotyping

This means that the content of communication is determined by the expectations due to in adequate distinctions of objects or events. This interferes with the effective communication.

Other Barriers

In addition to the above, the communication process is affected by the following factors:

- (I) Lack of will to communicate due to the attitudes of superiors.
- (II) Absence of definite and recognized means of communication.
- (III) The size of the organization and distance between members.
- (IV) Cultural barriers.
- (V) Feedback barriers.

9.8 ELEMENTS OR PRINCIPLES

Millet identified seven elements (essential or principle) of effective communication. These are:

1. Clarity--communication should be clearly and precisely stated.
2. Consistency-- communication should be consistent with the expectations of the receiver.

3. Adequacy – information in the communication should be sufficient, neither over –burdening nor too little.
4. Timeless—communication should be timely, neither too late not too early.
5. Uniformity—communication should be uniform (and not discriminatory) for all those who are supposed to behave similarly.
6. Flexibility—communication should not rigid either in the form or character.
7. Acceptability—communication should stimulates acceptance and positives responses in the receiver. According to terry, the following eight factors make the communication effective.
 - a) Inform yourself fully.
 - b) Establish a mutual trust in each other.
 - c) Find a common ground of experience.
 - d) Use mutually known words.
 - e) Have regard for context.
 - f) Secure and hold the receiver’s attention.
 - g) Employ examples and visual aids.
 - h) Practice delaying reactions.
- i) The newly developed management information system (MIS) has improved the organisation communication. The MIS means the application of information technology to the communication process in organisation. It involves generating, processing and transmitting information. In assist the managers in problem - solving, decision - making, and stragetec planning.

9.9 SUGGESTED READINGS

1. Ramaswamy.T, Principles of Management [Eight Edition] Himalaya Publishing Home Pvt Ltd, Mumbai. 2012,
2. L.M .Prasad,Principles and Practice of Management,Sultan Chand&Sons 2015
3. Koontz and O’Donnell,Management:A Global Perspective.McGrawHill,1998

UNIT X CONTROL

STRUCTURE:

Notes

10.1 Definition

10.2 Process

10.2.2. Measurements of performance

10.2.1. Measurements of performance

10.2.3. Comparison

10.2. 4. Corrective Action

10.3 Techniques

10.3.1. Personal observation

10.3 .2 control reports

10.3.3. Management by exception (MBE)

10.3 .4. Management by objective (MBO)

10.3.5. Management information system (MIS)

10.3.6 .Manaagem Audit

10.3.7. Performance evaluation and review techniques (PERT)

10.3.8 Critical Path Method (CPM)

10.3.9. Performance Appraisal

10. 3.10.Budgetary control

10.4 Suggested Readings

Control is essential in every organization to ensure the achievement of Pre determined goals. It helps the organization in maintaining its equilibrium position. It would set right the achievement deviations in organizational functioning. Thus, it ensures the success of organization.

10.1 Definition

Henri Fayol:

"Control consists in verifying whether everything occurs in conformity with the plans adapted, the instruction issued, and principles established."

Newman and summer:

"The aim of control is to assure that the results of operations conform as closely as possible to established goals.

Peter drucker:

"Control maintains the equilibrium between ends and means, output and effect. "

G. R. Terry : "controlling is determining what is being accomplished, that is, evaluating the performance and, if necessary, applying corrective measures so that the performance takes place according to plan. "

Koontz and O'Dennel:

" Controlling is the measurement of accomplishment against the standards and correction of deviations to assure attainment of objectives according to plans. "

J. L. Massie:

" Control is the process that measures current performance and guides it towards some predetermined goals.

To sum up control means taking and verifying checking and verifying actual performance against established standards to ensure adequate progress and satisfactory results.

10.2 PROCESS

The process of control consists of four steps or basic elements. these in the order are:

1. Establishment of standards the control process begins with the setting of standards of performance.. It is not there it involves the stating of expected result in clear terms and informing the the same to the organisational members . That performance standards are expressed today in terms of quality, quantity , money and time when should be precise, accurate, flexible and acceptable.

10.2.1. Measurements of performance

After the performance standards are laid the next step in the control process would be the appraisal of performance it involves the measurement of the actual performance of individuals or groups in units in which standards are laid. it must be intelligible, accurate, reliable, and

objective. It is based on the necessary information which is collected about, performance particulars.

10.2.3. Comparison

The third step in the control process is comparison of actual performance with the established standards . This is necessary to find out the extent, nature, causes, and consequences of deviations. The reason for deviations could be procedural, personal, structural, financial, external and so on.

10.2. 4. Corrective Action

The last step in the control process of taking the appropriate corrective action by the management. By this, the management ensure that the deviations do not occur again under the actual operations confirm to the established standards.

For control to be effective it must be objective ,timely, flexible, simple, minimal, suitable, prompt, forward- looking, intelligible, economical, and selective.

10.3 TECHNIQUES

The various techniques(methods or devices) of control law explained below:

10.3.1. Personal observation

which is the oldest technique of control. Under this the supervisor personally observe the operations at the workplace and applies correction whenever the need arises. However it is a time consuming device.

10.3 .2 control reports

The statistical reports are prepared to in quantitative terms of measure the variations from standards. Moreover, special Control reports are used to investigate a particular operation for particular purpose.

10.3.3. Management by exception (MBE)

Under this technique only the exceptional diveations are reported to the top management for necessary corrective action. It is also known as control by exception. It is a time- saving device and also identifies critical problems, Taylor suggested this technique of control under scientific management.

10.3 .4. management by objective(MBO)

This technique was introduced by Peter drucker through his famous book " The practice of Management (1954). In the words of George odinorne," the

system of Management by objectives can be described as a process whereby the superior and subordinate manager of

- i. An organisation jointly identify its common goals define each individuals major areas of Responsibility in
- ii. terms of result expected of him and use this message measures as guide for operating the,
- iii. until unit under assessing the contribution of each of its members. "

10.3.5. Management information system(MIS)

This technique helps the manager in problem solving, decision-making and strategic planning. it assist in reviewing actual performance and devising corrective action. Hence,it enable the management to have better control over operations.

10.3.6 .Manaagem Audit

it is systematic, independent, and comprehensive examination of the activities of all levels of management for the purpose of increasing the attainment of organisational objectives thorough improvement in the performance in the performance of the management functions. It is also called operational audit.

10.3.7. Performance evaluation and review techniques (PERT)

This technique was developed in the 1950s by Booz, Allen, and Hamilton. It is used in designing,planning, and controlling projects. It is a diagrammatic representation of the sequential relationship among the tasks which must be completed to accomplish the project.

10.3.8 Critical Path Method(CPM)

like PERT, it is also used in designing, planning, and controlling projects. But, in this, the activities which are most critical to the completion of the project are identified. Moreover, it is concerned more with cost dimensions of projects complection while PERT is more concerned with the time dimension.

10.3.9 . Performance Appraisal

Under this, a periodical information about actual work performance by a member of the organisation is collected and analysed to verify whether his performance is going along the established standards. Apart from adopting

corrective measures, is also entails the promotion of good personal practices to motivate the members.

10. 3.10.Budgetary control

This technique uses budget as a means of planning and controlling organisational operations. It is a process of finding out what is being done and comparing these results with the corresponding budget data. Budget used for control are of different types viz., zero-based budget, performance budge, PBBS(planning - progmming budget - system) and so on.

10.4 Suggested Readings

1. Ramaswamy.T, Principles of Management [Eight Edition]
Himalaya Publishing Home Pvt Ltd, Mumbai. 2012,
2. L.M .Prasad,Principles and Practice of Management,Sultan Chand&Sons
2015
3. Koontz and O'Donnell,Management:A Global
Perspective.McGrawHill,1998

UNIT – XI DIRECTING

Notes

Structure

- 11.1 Directing: Meaning, Purpose and Scope
 - 11.1.1 Purpose and Scope in the Organization
 - 11.1.2 Scope of Direction
- 11.2 Suggested Readings
- 11.3 Answers To Check Your Progress Questions
- 11.4 Summary

11.1 DIRECTING: MEANING, PURPOSE AND SCOPE

The directing function is the action function that will test the managerial capability in running the organization. The satisfactory performance of workers is going to be partly dependent upon the 'directional' ability of the management, but primarily it is a function of the organizational environment. If the environment is not conducive to optimum performance, the managerial directing in itself cannot bring in the optimum results. Accordingly, favourable conditions must exist which would provide for enthusiastic cooperation. Direction is concerned with directing the human efforts towards organizational goal achievement. The success of these directional efforts is going to determine the satisfactory or unsatisfactory performance within the organization. Direction is concerned with directing the human efforts towards organizational goal achievement. The success of these directional efforts is going to determine the satisfactory or unsatisfactory performance within the organization.

Since the purpose of directing is to make effective use of employees, it is usually initiated by the higher echelons of management. However, the employee input into directing decisions would be highly useful, thus creating an organizational climate where workers enhance the quality of working life.

Check Your Progress

1. Why is directing usually initiated by the higher echelons of management?
2. Which element in the definition of leadership differentiates successful and effective leaders from the 'common run of the managers'?
3. When is participative leadership especially effective?

11.1.1 Purpose and Scope in the Organization

The following points out the importance and purpose of directing in an organization:

Persuasive leadership helps accomplishment of organizational goals through integrating efforts of different departments.

Direction through proper identification and honing of talents and skills of the subordinates inspires motivation among employees.

Actions in an organization are initiated through direction as it not only identifies what is to be done, but also when and how.

Good directing by the managers in an organization helps in creating a work culture in which employees do not fear but embrace change.

Direction ensures the judicious use of resources whether human or material. Proper direction in an organization ensures that there is stability and the organization is on a growth trajectory.

11.1.2 Scope of Direction

The following points highlight the scope of direction in an organization:

Supervision of subordinates as per the company objectives, plans, policies, programmes and schedules. Direction as a function of management is present at all the levels of the organization. It is what keeps the activities rolling in the organization.

Leadership comes under the ambit of direction as this is what provides a gameplan for the subordinates to follow in order to achieve the targets.

Communication is an integral function of direction as the manager must process information and transfer them to the required person in order to ensure efficient operations in the organization. The scope of work of every employee becomes clear, duplication is avoided and work done with the best quality.

Motivation of employees in the organization is a crucial part of direction as it ensures that not only the needs of the employees are fulfilled but also their actions contribute towards the organizational goals. The manager as a director must ensure that group behaviours are positive and going in the right direction.

Command also comes under the scope of directing in the field of management as the managers ensure that the line of authority is followed and the employees delegated work by and accountable to their superiors. An efficient chain of command ensures smooth operations.

Notes

11.2 Suggested Readings

1. Ramaswamy.T, Principles of Management [Eight Edition] Himalaya Publishing Home Pvt Ltd, Mumbai. 2012,
2. L.M .Prasad,Principles and Practice of Management,Sultan Chand&Sons 2015
3. Koontz and O'Donnell,Management:A Global Perspective.McGrawHill,1998

11.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Since the purpose of directing is to make effective use of employees, it is usually initiated by the higher echelons of management.
2. It is important to have the element of willingness in the above definition. This element differentiates successful and effective leaders from the 'common run of the managers'.
3. Participative leadership is specially effective when the workforce is experienced and dedicated and is able to work independently with least directives, thereby developing a climate which is conducive to the growth and development of the organization as well as the individual's personality.
4. The Trait Theory emphasizes that leaders are born and not made, and that leadership is a function of inborn traits.
5. The managerial grid is built on two axes, one representing the 'people' and the other the 'task'.
6. The tactical leadership skill refers to the ability of a leader to use past experiences for understanding what specific actions should be taken to achieve the goals of the organization.
7. The unofficial leadership surfaces at the time when an individual uses interpersonal manipulation in a group without being officially designated any such responsibility or authority.
8. While managers are expected to be more concerned with attaining organizational goals, leaders are expected to be more sensitive to the needs of the followers.

11.4 SUMMARY

- Direction is concerned with directing the human efforts towards organizational goal achievement. The success of these directional efforts is going to determine the satisfactory or unsatisfactory performance within the organization.
- The directing function is the action function that will test the managerial capability in running the organization. The satisfactory performance of workers is going to be partly dependent upon the 'directional' ability of the management, but primarily it is a function of the organizational environment.
- Leadership is an essential component of management and plays a crucial role in managerial functions. Energetic and efficient leadership is the single feature that distinguishes between successful and unsuccessful organizations.
- Leadership styles can be classified according to the philosophy of the leaders. What the leader does determines how well he leads. A style of leadership is a 'relatively enduring set of behaviour which is a characteristic of the individuals, regardless of the situation.'
- Over the last eighty years, a number of different theories and approaches to studying leadership have been developed. Prior to 1945, the most common approach to the study of leadership concentrated on leadership traits. It was thought that leaders possessed and exhibited some unique set of qualities that distinguished them from their peers. Because this line of investigation did not produce consistent outcomes, research centered on other theories such as behavioural and situational approaches to leadership identification.
- Leadership can be formal or informal. The formal leadership occurs when a person is appointed or elected as an authority figure.
- Leadership is an intangible quality and its effectiveness can best be judged by the behaviour and attitudes of followers. Even though, personal backgrounds and personalities differ widely, some of the factors such as education and socio-economic status are poor indicators of judgments of successful leaders.
- Management and leadership are conceptually independent of each other. Many companies start with a strong leadership but eventually fail because leaders lack the managerial skills. Companies have high rate of success when leadership skills and management skills complement each other.

Notes

BLOCK V: MANAGEMENT AUDIT AND SYSTEM

UNIT XII MANAGEMENT AUDIT

Structure:

12.1 Definition:

12.2 Objectives of Management Audit

12.3 Scope of Management Audit

12.4 Need For or Importance of Management Audit

12.5 Advantage of Management Audit

12.1 DEFINITION:

It will be useful to study a few definitions of management audit is understand the concept. Some of the definitions are given below:

William P. Leonard defines, “Management audit is a comprehensive and constructive examination of an organizational structure of a company, Institution or branch of Government of any component thereof, such as a division or department, and its plans and objectives, its means of operations, its means of operations, and its use of human and physical facilities.”

The Institute of internal Auditors Inc. Defines, “A Management audit is a future oriented, Independent and systematic evaluation of the activities of all levels of management for the purpose of improving organizational profitability and increasing the attainment of others organizational objectives through improvements in the performance Of the management function, achievement of programme purpose, social objectives and employee’s development. Included are an evaluation of the management control system in terms of existence, compliance and adequacy; the management decision – Making process in terms of existence, compliance and relevance to the attainment of organizational objectives; the management decision itself in relation to the organizational objectives and the quality of management. The resultant audit reports both identifies problems, recommendations and solutions.”

12.2 OBJECTIVES OF MANAGEMENT AUDIT

The basic objectives of management audit are given below:

1. To identify the level of achievement of the main objectives of the organizations.
2. To identify the defects or irregularities of management executives.
3. To ensure that the management is going to achieve the objectives.
4. To help the management to do efficient administration of the operations
5. To help the management executives in the effective discharge of their responsibilities.
6. To Suggest to the management the ways and means available to achieve the objectives.
7. To improve the profitability of the organization.
8. To obtain or utilize the full efficiency of the management.
9. To help the management executives in the effective discharge of their duties.

12.3 SCOPE OF MANAGEMENT AUDIT

The scope of management audit will depend upon the objectives of management audit and requirements of the management audit covers the activities of the entire organization or only a part of it. The scope Of management audit is briefly explained below;

1. Review of objectives, goals, plans and policies of management.
2. Review of the results of various operations department-wise.
3. Review of the planning process and appraisal of planning.
4. Review and appraisal of utilization of finance and human resources.
5. Review of organization structure.
6. Review of management decisions and appraisal of the results of such decisions.
7. Review of the process of delegation of authority and fixing responsibility by management executives
8. Review and appraisal of physical process and activities.
9. Review of rules, regulations and methods i.e., systems and procedures of the organization.
10. Review of management information system and appraisal of its effectiveness.
11. Review of office operations and appraisal of its effectiveness.
12. Review of personnel policies adopted by management.
13. Review of management control systems and control techniques followed by management.
14. Review of selling and distribution systems and appraisal of its effectiveness.
15. Review of purchasing operations and appraisal of their effectiveness.

16. Review of production operations and appraisal of their effectiveness

12.4 NEED FOR OR IMPORTANCE OF MANAGEMENT AUDIT

There are several factors which make management audit important and the need of the hour. Management Audit has become necessary on account of the following main reasons:

1. Management audit examines whether the policies laid down by the managers including the general manager.
2. It help in the improvement of the performance of the various managers including the general manager.
3. Management audit offers suggestion to eliminate wastage or reduce the cost of Production.
4. It helps the general managers or the managing director to analyze the performance independently.
5. Management Audit points out the ways available to maximize profit and for optimum utilization of all resources.
6. It finds out the weaknesses or shortcomings which are responsible for inefficient performance and brings improvement in performance.
7. Management Audit can ascertain the financial soundness of the company.
8. It helps the management to sort out financial and non- financial incentives schemes and link them with the performance.
9. Banks and financial institutions may require management audit to find out whether the loan amounts have been properly utilized or not.
10. Management audit assists the foreign collaborators to assess the progress and performance of the management of the concern with which collaboration has been undertaken.

12.5 ADVANTAGE OF MANAGEMENT AUDIT

The main advantages of management audit are discussed below:

It helps to identify the present and potential strength and weakness in management. with this information, major improvements or rectification of defects can be made

1. It assists in establishing and reviewing the system of planning in an organization. Then, it allocates responsibility for planning.
2. It helps to improve the communication and control system. Effective management information systems can be followed. Proper control system ensures no deviations from standards.
3. It reviews the decision- making-process and the quality of decision. It helps the management to bring about more objectivity in decision-making.
4. It protects the interests of the organization by continuous review of all aspects of organization and improving the performance.
5. It helps the management to ensure free flow of communication between the responsibility centers.
6. It assists the management in identifying opportunities through innovations in the light of changes in the business world.
7. It helps the management to improve co-ordination and to evaluate the Control techniques.
8. It assists the management in pinpointing the inhibiting factors which affects the profitability and the ways to remove them so that the profitability may improve.
9. It suggests to the management to bring about better efficiency and overall improvement.
10. Human resource is crucial in every organization. Management audit helps the management to improve performance appraisal system and to develop human resources.
11. It relieves the management of pressure. Thus, the management can devote more attention to important and special matters.

UNIT- XIII MANAGEMENT INFORMATION SYSTEM

Structure:

- 13.1 Introduction
- 13.2 Objectives of Management Information System
- 13.3 Importance of Management Information System
- 13.5 Advantages of Management Information System
- 13.4 Process of Management Information System

13.1 INTRODUCTION

Management requires complete reliable information to solve any problem and exercise effective control by taking a timely decision. The complete reliable information is received by proper collection, handling and providing the right information to the right person in right time. The proper management information system it not only reduce the risk of wrong decisions but also work as an effective controlling techniques. Managers at every level require important information with speed, brevity and economy in order to discharge their functions.

Due to the complexity of business and industrial operations, the management information system (MIS) gets more importance, Government regulations are to also create the need of supply of more reliable information accurately within short span of time. This clearly shows that the management executives are entering into an “information Age”.

Management information system is planned, organized and systematic collection of relevant, accurate, precise and timely information which are properly processed and supplied to required persons and supplied ro required persons economically for purpose of achieving organizational objectives.

13.2 OBJECTIVES OF MANAGEMENT INFORMATION SYSTEM:

An effective management information system can achieve the following:

1. **Facilitates decision making :** Management executives at all levels are taking large number of decision by receiving the best possible current information. Accurate, reliable, precise and timely information facilitates the decision – making process very easy.
2. **Avoid duplication of work:** Major portion of the organizational operations are computerized and procedure are simplified. Thus type of system reduce unnecessary work.
3. **Savings of times:** Efficient methods are applied in the execution of assigned activities and proper directions is available to the

employees of an organization. Standards time is fixed for each work separately. In this way, there is possibility of savings of time.

4. **Establish uniform procedures:** Nature of work is different from one department to another department or one section to another section, but standards time uniform procedure is followed in the performance of a work. Uniform procedure ensures proper flow of data from the concerned department of section.
5. **Fixing responsibility:** Data have to be supplied immediately after execution of work. Hence, it is the responsibility of concerned executive to provide data. In this way, MIS fixes responsibility each executives.

The Management Information System should be flexible in nature to incorporate revisions and include additional sub-Systems in order to achieve above mentioned objectives.

13.3 IMPORTANCE OF MANAGEMENT INFORMATION SYSTEM

An Effective management information system is very important on account of the following reasons:

1. **Complexity of business operations:** The business in operations will be changed into complexity due to dynamics of the environment. The MIS helps the managers in this situations, to look upon the business operations without much difficulty.
2. **Size of business unit:** Most of the business units have grown in size. This results in management being removed from the scene of the operations. Now, MIS plays in vital role to solve operational problems.
3. **Changes in economic structure:** Rate of inflation and unemployment, changes in interest rate GNP and the like are affecting the smooth functioning of business unit, Hence, these type of information should be collected and helps the managers to take a valid decision.
4. **Technological changes:** These includes changes in the operations of a business unit. Whenever there is a changes in technology, there is a problem to the management, this type of problem can be easily solved with the help of effective MIS.
5. **Social changes:** these include higher level of education, changes in consumer tastes, usage of computer at home, preference of job etc. this type of information is maintained up to date. If so, running of business unit is very easy.
6. **Determination of training needs:** In large scale enterprise, the operations are centralized so that more information is needed about the operations of units. The performance of all units should be closely watched and steps must be taken if there is a poor performance of units. It means that training needs can be found out in order to

Notes

improve the performance of the units. Here , MIS can be effectively used for measuring performance and decide the training needs for better performance and achieve organizational goals and plans.

7. **Wide use of computer:** The computer are widely used since the operation requires less expenses and have more capacity to store and supply more information. This has made information handling easier.

13.4 PROCESS OF MANAGEMENT INFORMATION SYSTEM

The transformation from data to information involves six stages. These six stages have been briefly explained below:

1. **Assembling:** It means finding out collection of data and recorded in a set of files. The well defined source of information facilitates the collection of data.
2. **Processing:** It means that the collected data has been summarized, edited and The irrelevant and inaccurate data have been eliminated from the records.
3. **Analyzing:** It means that the data has been analyzed to develop or calculate percentages, rations etc. Percentages and rations are providing useful information to the decision-maker.
4. **Storage and retrieval:** Indexing, coding, filling and location of information are coming under the process of storage. Provisions have been made to quick relocations of such information and retrieval when it is necessary.
5. **Evaluation:** It means the determinations of usefulness of information in terms of accuracy, precise, and relevance. The degree of accuracy, precise and relevance is based upon the needs of the decision –maker.
6. **Dissemination:** It means supplying the required information in the specified format at the right time to the decision-maker.

13.5 ADVANTAGES OF MANAGEMENT INFORMATION SYSTEM:

The effective management information system contributes in the following ways to the management:

1. **Facilitates planning:** Planning requires reliable, relevant and accurate information. These are possible under the effective management information system. The MIS keeps the executives aware of changes in the environment of business. In this way, MIS facilitates the planning function carried on by the executives.
2. **Reduce information overloaded:** All the data collected by an organization is not required to managers. Under effective MIS, the data has been divided into relevant and irrelevant. The irrelevant data may create confusion in the minds of managers.

- Hence, the irrelevant data has been avoided with the help of effective MIS and reduced information overloaded.
3. **Simplifies control:** MIS is acting as a bridge between planning and control. It helps the managers to take a sound decision which simplifies control function.
 4. **Assists co-ordination:** MIS is an integrated approach to planning and control. MIS facilitates co-ordination by keeping each department/section aware of the problem, status, importance and needs of other department/sections. It links all decision centers in an organization.
 5. **Improve decentralization:** Monitoring work is also done under the effective MIS. This type of arrangement helps the management to delegate authority without losing control.

Notes

UNIT - XIV RECENT TRENDS AND NEW PERSPECTIVES IN MANAGEMENT

Structure

14.1 Strategic Alliances

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14.1 STRATEGIC ALLIANCES

Strategic alliances imply the association of more than one party aimed towards the attainment of specific objectives or fulfillment of essential business requirements, simultaneously maintaining organizational autonomy.

Partner companies offer strategic alliances with respect to certain resources, such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property. These alliances are primarily based on cooperation aiming at a synthesis that profits the participating members more than individual efforts. Strategic

alliances also involve technological transmission, access to informational and financial specialization and economic support.

Different terminologies present various types of strategic partnering, such as 'international coalitions' (Porter and Fuller, 1986), 'strategic networks' (Jarillo, 1988) and, 'strategic alliances'. Their meaning varies on the basis of the organizational context.

14.1.1 Strategic Alliance Formation Process

A typical strategic alliance formation process involves the following steps:

Strategy development: This stage of strategy development constitutes the study of the alliance's scope, goals and rationale, highlighting the chief concerns and obstacles. This further involves the formulation of resource techniques for production, technology, and human resource. This involves synthesizing the goals of the alliance with the general organizational strategy.

Partner evaluation: This requires an analysis of a potential partner's strengths and shortcomings, leading to creation of effective techniques in order to synergize different managerial styles. This stage also focuses on the preparation of suitable selection criteria and recognizing a partner's purpose for entering in an alliance and identifying the gaps in resource capability of a partner firm.

Contract negotiation: This stage focuses on predetermining if the parties have practical goals. Thus, competitive negotiation task forces are formed in order to define what each partner offers as well as to safeguard any proprietary information, address termination clauses, decide penalties for bad performance, and emphasizing the arbitration procedures involved.

Alliance operation: This stage focuses on identifying the managerial commitment, locating the capability of the resources committed to the alliance, collaborating budgetary functions and resources with strategically aligned objectives, gauging and awarding alliance performance, and evaluating the performance and results of the alliance.

Alliance termination: Termination of alliances constitutes of winding down the alliance.

14.1.2 Advantages of Strategic Alliances

Strategic alliances offer the following benefits:

Encouraging partners to focus on functions that best match their capabilities

Helping partners in gaining knowledge and information through mutual cooperation and developing multiple competences

Providing varied resources and competence

14.2 CORE COMPETENCE

A core competence refers to a particular aspect that an organization views as fundamental to the organizational environment. Core competence needs to satisfy the following criteria:

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Unique to the organization and difficult for other firms to copy
Advantageous to varied products and markets
Contributory to the advantages offered for a dynamic consumer experience

A core competency may be of various kinds, such as technical knowledge, reliable process and/or close relationships with customers and suppliers. Further, it may constitute product development or culture, such as employee commitment.

Core competence primarily implies specific advantages offered by an organization in comparison to its competition, in terms of value additions unique to the industry. It involves organizational learning, coordination of diversified production skills and integration of varied technological streams.

An example of core competence of Walt Disney World - Parks and Resorts, reveals the following core competencies:

Animatronics and Show Design

Storytelling, Story Creation and Themed Atmospheric Attractions Efficient operation of theme parks

14.2.1 Core Competence and Competitive Advantage

A core competence develops from a specific set of skills or production methods that bring value to the customer. Such competences allow an organization to access a wide variety of markets. Core competencies lead to the development of core products which further can be used to build many products for end users. Core competencies are developed through the process of continuous improvements over the period of time. If an enterprise wants to succeed in an emerging global market, it has to build core competencies. Core competences need to be integrated using strategic architecture in view of changing market requirements and evolving technologies. Management need to realize that stakeholders to core competences are an asset which can be used to integrate and develop the competencies. Competence building is the result of strategic architecture which must be enforced by top management so that its full capacity is exploited.

The management should develop the industry foresight needed to adapt to industry changes, and find out ways of controlling resources that will enable the company to attain goals despite restraints. Executives need to build up a point of view on which core competencies can be created for the future to revitalize the process of new business creation. Development of an independent point of view about tomorrow's opportunities and creation of capabilities that exploit them are the keys to future industry relationship.

Core competences are intangible resources of a company. They are difficult and challenging to achieve. It is even critical to manage and enhance the competences with reference to industry changes and their future.

14.3 BUSINESS PROCESS REENGINEERING

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Sometimes in order to develop a good information system that will serve the purpose of management even in the future, it becomes very essential to have a relook at the way business processes are conducted in a firm. The rationale for this is that the manner in which business is conducted changes with time and an information system that is designed over such outdated business processes would not provide any worthwhile value to managers. Business organizations are a continuing entity but the products or services that they offer change with time. Even the manner in which it conducts business changes with time. New ways of doing business emerge over time. New markets emerge. New products and services emerge. New geographies emerge. New technologies emerge. All this changes the organization fundamentally. If however, the organization continues to engage with its customers (internal as well as external) in the same way as it had been doing in the past then it risks losing business and efficiency. It has to change its process to remain Refinement—The feedback on the prototype is factored in the new design and a process of refinement of the prototype starts. This step may involve several stages of refinement to arrive at a fully functional system.

This is a broad template that ensures that the BPR exercise is done systematically and not on an ad hoc basis.

Process improvement—It is the activity of critically examining a process with the objective of making it more efficient. In most cases, it involves the shortening of the process, reduction of people handling the process, intervention of technology, changing the manner of doing tasks within the process, reduction of cycle time of tasks in the process and reduction in the cost of conducting the process. This is achieved by first examining the process and passing through it. Then a process map is created and bottlenecks and redundancies identified. These areas are then worked upon to make the process more efficient.

14.4 TOTAL QUALITY MANAGEMENT

14.4.1 Definitions of TQM

TQM is a transformational process that touches all aspects of managing a business and all people in the company. It is not a simple quality management system; it is a management strategy to transform and change the organizational work culture for improvement in overall performances of the business. Many experts claim that TQM is a strategic tool for changing and revitalizing the organization for rapid growth and development. Though TQM brings about all-round improvements in the business processes by making the organization adaptive, flexible, nimble, responsive and creative, the consequences of TQM can be grouped into: product and productivity related, process and process quality related, employee satisfaction related, cost and value related, customer satisfaction and market share related, and finally, business performance and competition related. The most startling

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benefit of total quality comes from the culture of seeking continuous improvement in anything that is done in the organization and its focus to customer satisfaction.

It is said that the 'goal of TQM is customer satisfaction and the means is continuous improvement'. TQM occurs when an entire organizational culture becomes focused on quality and customer satisfaction through an integrated system of processes, tools, techniques and training. By adapting this total quality approach, many industries in post-War Japan, achieved revolutionary rates of business improvement. Since that time, TQM has become a global phenomenon.

The key element in the journey for total quality is, therefore, the process of continuous improvement so as to work on the changing needs of customers and assuring customer satisfaction all the time. Customer satisfaction is an outcome of some efforts. Hence, the process of customer satisfaction demands planning for quality, execution of the planned processes for results, total commitment of the organization for customer satisfaction and measurement of results to verify that customer satisfaction has been achieved as per plan and target. Organizations have to combine, direct and integrate all activities, functions and processes towards achieving this goal of customer satisfaction in the organization. This is at the core of TQM practice, and to achieve this objective, all functions, activities and processes of the organization have to be designed, coordinated and integrated under the TQM system by following the principles of total quality management.

14.4.2 Principles of TQM

The principles governing the TQM system are:

'Customer-oriented' approach: All activities and processes in the organization should be customer focused. This approach ensures that all are concerned with the customers' needs and their efforts should be directed towards winning customer satisfaction.

Strategic planning and leadership: For achieving the customer-focused quality targets in all activities and processes, senior management leadership should lead to strong 'customer orientation' in the organization and be willing to make long-term commitments to its customers, employees, vendors, stockholders and to the society.

Process focus: In all activities there should be process focus which may require restructuring of vertical processes to 'cross-functional' horizontal processes where clear view of customer needs can be established in each of these processes. This is the new approach to change the work culture to teamwork and make everyone in the process responsible for the quality by training and empowerment.

Creating a culture of working through people's involvement: To give effect to this principle, TQM system works on an 'internal customer' system, where each person and process can be linked as customer to each other in the

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chain of activities for production and delivery of goods and services. This system is proving to be at the core of TQM for involving all people into the process of customer satisfaction, and developing a customer orientation culture in the organization.

Continuous improvement of all processes and activities, leading to total customer satisfaction and competitive advantage: This is a key measure for TQM; TQM believes that there is no end to improvement and it must be continuously pursued in an organization for performance excellence. Emphasis on continuous improvement in an organization makes people involved in work to think 'outside the box' and promote creativity and innovation in their work. Efforts for continuous improvement demand orientation to a new work culture, where continued thinking and working for improvements become a part of corporate life.

Training and development of people : The TQM system believes that people are at the core of every process and activities of the organization. It is the people who drive the processes under the TQM system. Therefore, people should be trained and developed for understanding the process of TQM, the values and vision of the company, systems and tools of TQM and, above all, understanding the customer needs. This system is intended to empower and enable people of the organization for superior performance.

Empowerment and teamwork: This is to provide people with the opportunity to learn, apply and practice their skills, creativity and knowledge. Team approach to work and the cross-functional process management are important aspects of TQM work culture. Under TQM system, cross-functional customer-focused horizontal processes are always run and owned by teams drawn for various connected functions, and the team is sufficiently empowered by the management for smooth and faster response to customer needs. Objective of this step is to eliminate bureaucracy and delay in decision-making, which otherwise can adversely affect the ability to serve the customers.

Much of these principles of TQM are based on various pronouncements of Deming, Juran and Crosby about how quality should be addressed and managed in industries. Principles are the guiding forces of a process. Therefore, application of these principles in their true spirit and purpose is important for success of total quality in an organization.

Check Your Progress

1. State the rationale behind business process reengineering.
2. What is the key element for total quality?
3. List the principles governing the TQM system.
4. Define six sigma.
5. Who coined the term benchmarking?

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14.5 SIX SIGMA

Let's discuss the concept in detail.

14.5.1 Concept of Six Sigma

Six Sigma is a quality metric that counts the number of defects per million opportunities (DPMO) at six levels. The higher the sigma-level, the better is the quality level with lower DPMO. General approach for this task is to work in terms of reduction of variations and defects by following a four-phase approach:

Measure: Select critical quality characteristics, determine the frequency of defects, define performance standards, validate measurement system, establish process capability and evaluate current performance.

Analyse: Understand what, when, where and why of defects and causes by analysing sources of variation vis-à-vis target objectives. The process of analysis includes process mapping, identifying root causes and establishing cause-and-effect relationships.

Improve: Brainstorm and generate ideas, narrow the list of potential solutions, select the best solution, validate the solution (use mathematical modeling, if necessary) and develop implementation strategy.

Control: Maintain improvements by revalidating measurements, determining improved process capability and implementing statistical process control system to monitor performance.

Purpose of six steps in six sigma is:

Steps I & II: These steps involve determining the products to be made, customer segment to be served, what is to be served and how to do that.

Step III: This step involves in making the organization look at the needs for suppliers' support to meet the target quality and focus on developing suppliers' quality capability.

Step IV: This is the step where all processes being carried out by the company should be mapped out, and needs and means for process improvement should be determined for fulfilling the mission.

Step V: This step involves critical evaluation of the process to be upgraded, and all non-value added steps, activities and sources of errors should be eliminated.

Step VI: This is the step for establishing measurement criteria, analysing data and driving the process with a spirit of continuous improvement.

Improvement drive in the Six Sigma practice calls for usage of all tools of total quality improvement — including re-engineering — with focus on the means for reducing the process variability to bare minimum and establishing consistency in the new process. The Six Sigma technique identifies sources of faults, tracks them back to the origin, eliminates

them, takes steps to make the process or system more capable by reducing the dispersion and variation and then provides measures for maintaining consistency. A CTQ process with a capability level established at a given time by the Six Sigma technique may not be quite suitable for customers of different periods; hence processes need continuous evaluation, re-working and improvement. The improvement may be brought about in stages

from a lower sigma level to a higher sigma level, but it must be pursued for getting the full benefits of the 'Six Sigma' movement. The term 'sigma' is a statistical term to denote statistical capability of a process. However, 'Six Sigma' is just not a statistical tool; it is a tool encumbering both manufacturing and non-manufacturing areas for ensuring superior quality, minimizing cost of poor quality and gaining customer satisfaction and loyalty in a competitive market. A major part of the benefits of Six Sigma movement come from reduction in the cost of quality (also referred as cost of poor quality). Its impact on the 'cost of quality' vis-à-vis Six Sigma level of performance can be seen from Table 11.1.

Six Sigma methodology employs the following road map: Define – measure – analyse – design – verify (DMADV) cycle and define – measure – analyse – Improve – control (DMAIC) cycle. Both the cycles involve intensive data analysis using a range of statistical tools, which are also employed in total quality initiatives. However, DMADV cycle is used (i) when a product or process is to be developed in the company anew and (ii) when the existing product or process has been optimized but still does not meet the level of target for customer satisfaction or sigma level. The DMAIC cycle is used when a product or process is in existence but it is not adequately meeting customer satisfaction or the set performance standard. In the above cycles, define refers to setting project goals and customer deliverables, where customer means both internal and external customers; measure refers to customer needs and specification setting, and process measurement to determine current performance; analyse refers to process options to meet customer needs, root cause of the problem and identification of solution; design refers to designing of process for customer satisfaction; verify refers to analysis of results to determine if the performance is meeting customer needs and specification; improve refers to process improvement by eliminating defects and errors; control refers to identifying measures to control the process for future performance at the improved level.

14.6 BENCHMARKING

Let's discuss the concept in detail.

14.6.1 Definition and Reasons for Benchmarking

Benchmarking is a powerful improvement technique and is being widely adopted by every type of industries and business. Benchmarking exercise

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could be carried out for every conceivable 'issue' in business, such as product quality, productivity, process efficiency, process capability, service quality, customer handling, customer satisfaction, profit, cost, delivery cycle, financial results, etc. **Robert C. Camp** first coined the term *benchmarking* in 1980, while studying the improvement programme at Xerox Corporation in USA. According to Camp, the meaning of benchmarking is finding and implementing best practices in the business for attaining best level of performance. This does not imply that benchmarking is copying the best practice of an industry; it is about indentifying a specific issue in a company where improvement can be beneficial and then understanding 'who is the best in the industry in that respect, what made that company different from others, and how they have achieved the superior practice'.

Thus, benchmarking process may require partnering with that company of superior practice, understanding their logic of working and practice, appropriately adopting the practice in one's own organization as per its own specific situation and potential in order to achieve improvement and superior level of performance. Necessity to partner with external companies or identifying suitable source to partner with from within the organization's other processes would depend on the subject matter and purpose of the benchmarking. The essence of benchmarking is the endeavour to analyse and understand the process, products or services of a world-class company (or a superior performer) in order to learn how it achieved those superior results, and then set up one's own internal measures and steps to meet or surpass it. Juran described this as practice for managerial breakthrough. The purpose of benchmarking is to enable the organization to set in world-class practices in the company for much improved quality results, business results, customer confidence and competitive advantage.

The process of benchmarking makes an organization look outside to identify a business leader in the field for knowing and understanding the way to the leader has succeeded. Key to the success of benchmarking process is in understanding of what, why, how and when of the success story. It is a method of identifying new ideas and new ways of looking at things for improvements. As for example, 'customer complaint resolution time' of Rank Xerox Corporation was one time benchmarked across the industry for better services to customers by gathering ideas from their approach to customer problems, data acquisition system, analysis of the problem and empowerment of employees to take decisions.

Good benchmarking exercises produce two types of information:

- (i) quantitative data that can be used to measure current performance and set future targets (this is prevalent in most financial exercises for setting targets for return on investments) and
- (ii) Qualitative information on the approach to design of products and services and adoption of ‘key success factors’ that explain how the benchmarked company became the leader in that function or business (this is prevalent in manufacturing and electronic industries for launching new products and service features). Since benchmarking is an improvement exercise, it can perhaps be best started with a PDSA type approach. It has the following components:

1. **Plan:** Plan what is to be benchmarked, identify critical success factors, form teams, document processes and set performance measures to be achieved.
2. **Search:** Identify partners and establish partnership.
3. **Observe:** Understand and document the partner’s process, procedures and practice.
4. **Analyses:** Identify gaps in performance and find out root causes.
5. **Adopt:** Choose ‘best practice, understand the methods and practice for improvement, adapt to company’s own situation, but do not copy as they are being done in the partner’s company

14.7 SUGGESTED READINGS

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Himalaya Publishing Home Pvt Ltd, Mumbai. 2012,
2. L.M .Prasad,Principles and Practice of Management,Sultan Chand&Sons 2015
3. Koontz and O’Donnell,Management:A Global Perspective.McGrawHill,1998

14.8 ANSWERS TO ‘CHECK YOUR PROGRESS’

1. The rationale behind business process reengineering is that the manner in which business is conducted changes with time and an

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information system that is designed over such out dated business processes would not provide any worthwhile value to managers.

2. The key element for total quality is the process of continuous improvement so as to work on the changing needs of customers and assuring customer satisfaction all the time.

3. The principles governing the TQM system are as follows:

- Customer-oriented approach
- Strategic planning and leadership
- Process focus
- Creating a culture of working through people's involvement
- Continuous improvement of all processes and activities, leading to total customer satisfaction and competitive advantage
- Training and development of people
- Empowerment and teamwork

4. Six Sigma is a statistics-based approach to bring down the dispersion of the process to as close as possible, which is expressed in terms of 'sigma level'

5. Robert C. Camp first coined the term benchmarking in 1980.

14.9 SUMMARY

• Partner companies offer strategic alliances with respect to certain resources, such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property. These alliances are primarily based on cooperation aiming at a synthesis that profits the participating members more than individual efforts.

• Core competence primarily implies specific advantages offered by an organization in comparison to its competition, in terms of value additions unique to the industry. It involves organizational learning, coordination of diversified production skills and integration of varied technological streams.

• TQM is defined as a people-focussed management system that aims to integrate all activities, functions and processes within an organization for achieving continuous improvement in quality, cost, functions (value) and delivery of goods and services for continual customer satisfaction.

• TQM occurs when an entire organizational culture becomes focussed on quality and customer satisfaction through an integrated system of processes, tools, techniques and training.

• Six-sigma is a statistics-based approach to bring down the dispersion of the process to as close as possible, which is expressed in terms of 'sigma level'. The higher the sigma-level, the better is the quality level with lower DPMO.

- The process of benchmarking makes an organization look outside to identify a business leader in the field for knowing and understanding the way to the leader has succeeded.
- The balanced scorecard is being used as a strategic management tool by many organizations. This technique also offers potential to those who wish to achieve strategic HRD.

14.10 KEY WORDS

- Business Process Reengineering (BPR): The scientific exercise of overhauling the process of doing business.
- Total Quality Management (TQM): A management strategy to transform and change the organizational work culture for improvement in overall performances of the business.

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