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PERSPECTIVES OF MANAGEMENT
MASTER OF BUSINESS ADMINISTRATION
(HOSPITAL ADMINISTRATION)
FIRST YEAR, SEMESTER-I, PAPER-I



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MBA (HA): PERSPECTIVES OF MANAGEMENT

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FOREWORD

Since its establishment in 1976, Acharya Nagarjuna University has been forging ahead in the path of progress and dynamism, offering a variety of courses and research contributions. I am extremely happy that by gaining 'A+' grade from the NAAC in the year 2024, Acharya Nagarjuna University is offering educational opportunities at the UG, PG levels apart from research degrees to students from over 221 affiliated colleges spread over the two districts of Guntur and Prakasam.

The University has also started the Centre for Distance Education in 2003-04 with the aim of taking higher education to the door step of all the sectors of the society. The centre will be a great help to those who cannot join in colleges, those who cannot afford the exorbitant fees as regular students, and even to housewives desirous of pursuing higher studies. Acharya Nagarjuna University has started offering B.Sc., B.A., B.B.A., and B.Com courses at the Degree level and M.A., M.Com., M.Sc., M.B.A., and L.L.M., courses at the PG level from the academic year 2003-2004 onwards.

To facilitate easier understanding by students studying through the distance mode, these self-instruction materials have been prepared by eminent and experienced teachers. The lessons have been drafted with great care and expertise in the stipulated time by these teachers. Constructive ideas and scholarly suggestions are welcome from students and teachers involved respectively. Such ideas will be incorporated for the greater efficacy of this distance mode of education. For clarification of doubts and feedback, weekly classes and contact classes will be arranged at the UG and PG levels respectively.

It is my aim that students getting higher education through the Centre for Distance Education should improve their qualification, have better employment opportunities and in turn be part of country's progress. It is my fond desire that in the years to come, the Centre for Distance Education will go from strength to strength in the form of new courses and by catering to larger number of people. My congratulations to all the Directors, Academic Coordinators, Editors and Lesson-writers of the Centre who have helped in these endeavors.

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**MASTER OF BUSINESS ADMINISTRATION
(HOSPITAL ADMINISTRATION)**

Programme Code: 197

PROGRAMME SYLLABUS

1st YEAR – 1st SEMESTER SYLLABUS

101HA26: PERSPECTIVES OF MANAGEMENT

UNIT – I Management: Concept –Nature- Levels- Skills- Functions - Management as an Art, Science and Profession – F.W.Taylor's Scientific Management Theory - Fayol's Theory of Management- Human Relations Approach; Healthcare Management: Significance- Role and Responsibility of Healthcare Manager in Hospital – Corporate Social Responsibility.

UNIT – II Planning: Concept-Nature-Purpose-Process of Planning-Types of Plans – Premising; Decision Making: Concept- Decision Making Processes; Management by Objectives: Concept-Process.

UNIT – III Organizing: Nature-Purpose-Process-Formal and Informal Organizations- Departmentation- Span of Control-Delegation-Decentralization-Line and Staff - Committees.

UNIT – IV Staffing: Nature and Importance of Staffing – Recruitment - Selecting - Training and Development - Performance Appraisal; **DIRECTING:** Meaning-Nature and importance- Principles of effective Directing – Directing Process

UNIT – V Motivation: Concept – Significance - Theories of Motivation - **Leadership** - Leadership Styles-Leadership Theories; **Communication:** Concept -Importance-Process- Barriers-Principles of Effective Communication; **CONTROLLING:** Concept- Pre-Requisites and characteristics of effective control systems- Basic control process - Controlling Techniques.

Reference Books:

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LESSON – 1

MANAGEMENT

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OBJECTIVES:

The objectives of this lesson are to:

- know the meaning and concept of Management
- identify the various levels management
- focus on manager skills and functions
- understand management as an Art, Science and Professional

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STRUCTURE:

1.1 INTRODUCTION

1.2 NATURE OF MANAGEMENT

1.3 LEVELS OF MANAGEMENT

1.4 MANAGEMENT SKILLS

1.5 FUNCTIONS OF MANAGEMENT

1.6 MANAGEMENT AS AN ART, SCIENCE AND PROFESSION

1.7 SUMMARY

1.8 KEY WORDS

1.9 SELF-ASSESSMENT QUESTIONS

1.10 FURTHER READINGS

1.1 INTRODUCTION

A business develops in course of time with complexities. With increasing complexities managing the business has become a difficult task. The need of existence of management has increased tremendously. Management is a vital aspect of the economic life of man, which is an organised group activity. It is considered as the indispensable institution in the modern social organization marked by scientific thought and technological innovations. One or the other form of management is essential wherever human efforts are to be undertaken collectively to satisfy wants through some productive activity, occupation or profession. Management is essential not only for business concerns but also for banks, schools, colleges, hospitals, hotels, religious bodies, charitable trusts etc.

Every business unit has some objectives of its own. These objectives can be achieved with the coordinated efforts of several personnel. The work of a number of persons are properly co-ordinate to achieve the objectives through the process of management is not a matter of pressing a button, pulling a lever, issuing orders, scanning profit and loss statements, promulgating rules and regulations.

5 Management is the integrating force in all organized activity. They also have to organize and utilize their resources in such a way as to optimize the results. Not only in business enterprises where costs and revenues can be ascertained accurately and objectively but also in service organizations such as government, hospitals, schools, clubs, etc., scarce resources including men, machines, materials and money have to be integrated in a productive relationship, and utilized efficiently towards the achievement of their goals. Thus, management is not unique to business organizations but common to all kinds of social organizations.

5 Although management as a discipline is more than 90 years old, there is no common agreement among its experts and practitioners about its precise definition. In fact, this is so in case of all social sciences like psychology, sociology, anthropology, economics, political science etc. As a result of unprecedented and breath-taking technological developments, business organizations have grown in size and complexity, causing consequential changes in the practice of management. Changes in management styles and practices have led to changes in management thought. Moreover, management being interdisciplinary in nature has undergone changes because of the developments in behavioural sciences, quantitative techniques, engineering and technology, etc. Since it deals with the production and distribution of goods and services, dynamism of its environments such as social, cultural and religious values, consumers' tastes and preferences, education and information explosion, democratization of governments, etc., have also led to changes in its theory and practice.

1 Concept of management

The concept of management is as old as human civilisation. Management in today's context has the most significant influence on modern life, giving a strong essence to the very purpose of management. The concept of management is useful and applicable to all types of organisations, whether profit-making or service-oriented. Therefore, it is said that management is a universal process.

In other words, the concept of management integrates and transforms various resources into ultimate goals and objectives, i.e., maximisation of profits or services. It is primarily a process of integrating six Ms of management, viz., Men, Material, Machines, Methods, Money and Markets. The term management may be referred to a distinct process of allocating inputs by typical management functions for the purpose of achieving pre-determined objectives, viz., higher output and profits through customer satisfaction. It can be showed in the following diagram / process:

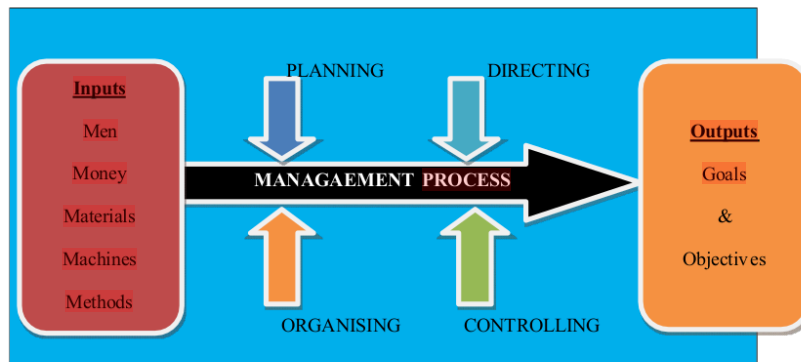


Fig: Management Process

¹ The traditional concept of management was restricted to the art of getting things done through others. According to modern views, management is not merely an art of getting things done through others, but it also covers a wide spectrum of business-related activities. According to modern thinkers, management is a process, an activity, a discipline and an effort to co-ordinate, control and direct individual and group efforts towards the attainment of cherished goals of business.

DEFINITION OF MANAGEMENT:

Management is defined by different experts in various ways. There is not precise definition on management bringing all its features together because by nature, the subject is multidisciplinary, dynamic, relative and ever expanding.

In order ⁵ to understand the management, the following definitions may be observed. But, no definition of management has been universally accepted. Let us discuss some of the leading definitions of management:

Peter F. W. Taylor writes, "Management is the art of knowing what you want to do in the best and cheapest way"

Henry Fayol, "To manage is to forecast and plan, to organize, to compound, to co-ordinate and to control."⁶²

According to Mc Farland, "Management is defined for conceptual, theoretical and analytical purposes as that process by which managers create, direct, maintain and operate purposive organization through systematic, co-ordinated co-operative human effort."

Koontz and O'Donnel, "Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform efficiently and effectively toward the attainment of group goals. It is the art of getting the work done through ⁵ and with people in formally organized groups."

Ralph C. Davis has defined Management as, "Management is the function of executive leadership anywhere."

According to Wheeler, "Business management is a human activity which directs and controls the organisation and operation of a business enterprise. Management is centred in the administrators of managers of the firm who integrate men, material and money into an effective operating ²⁰ unit".

In the words of **J.N. Schulze**, "Management is the force which leads, guides and directs an organisation in the accomplishment of a pre-determined object".

R. Terry, "management as a process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objectives by the use of people and other resources."¹⁶

According to this definition, management is a process – a systematic way of doing things. The four management activities included in this process are: planning, organizing, actuating and controlling. Planning means that managers think of their actions in advance. Organizing means that managers coordinate the human and material resources of the organization. Actuating means that managers motivate and direct

subordinates. Controlling means that managers attempt to ensure that there is no deviation from the norm or plan. If some part of their organization is on the wrong track, managers take action to remedy the situation. ⁶

According to **E. Peterson and E.G Plowman**, Management is “a technique by means of which the purpose and objectives of a particular human group are determined, classified and effectuated”.

According to **Mary Cushing Niles**, “Good management or scientific management achieves a social objective with the best use of human and material energy and time and with satisfaction for the participants and the public”.

From the analysis of the definitions mentioned above, it can be observed ⁶² the management is the sum-total of all those activities that

- ❖ determine objectives, plans, policies and programmes
- ❖ secure men, material, machinery cheaply
- ❖ put all these resources into operations through sound organization
- ❖ direct and motivate the men at work
- ❖ supervises and control their performance and
- ❖ Provide maximum prosperity and happiness for both employer and employees and public at large.

²⁷ ❖

1.2 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.

- **Management is Goal Oriented:** Management is a purposeful activity. It coordinates the efforts of workers to achieve the goals of the organization. The success of management is measured by the extent to which the organizational goals are achieved. It is imperative that the organizational goals must be well-defined and properly understood by the management at various levels.

- 20
- **Management also implies skill and experience in getting things done through people:** Management involves doing the job through people. The economic function of earning profitable return cannot be performed without enlisting co-operation and securing positive response from "people". Getting the suitable type of people to execute the operations is the significant aspect of management. In the words of Koontz and O'Donnell, "Management is the art of getting things done through people in formally organised groups".
 - **Management is a group activity:** management cannot be done in isolation; it is not an individual activity. All the major achievements in society have been made possible only through group activities. It also helps in integrating human effort through organized group activities.
 - **Management is Distinct Process:** Management is a distinct process consisting of such functions as planning, organizing, staffing, directing and controlling. These functions are so interwoven that it is not possible to lay down exactly the sequence of various functions or their relative significance.
 - **Management principles are Universal in nature:** Management is universal in character. The principles and techniques of management are equally applicable in the fields of business, education, military, government and hospital. Henri Fayol suggested that principles of management would apply more or less in every situation. The principles are working guidelines which are flexible and capable of adaptation to every organization where the efforts of human beings are to be coordinated.
 - **Management is multi-disciplinary approach:** Management has grown as a field of study (i.e. discipline) taking the help of so many other disciplines such as engineering, anthropology, sociology and psychology. Much of the management literature is the result of the association of these disciplines. For instance, productivity orientation drew its inspiration from industrial engineering and human relations orientation from psychology. Similarly, sociology and operations research have also contributed to the development of management science.
 - **Management is organized activity:** management, as a process in group activities, essentially requires coordination among individuals and sub groups. This results in an organized activity, which may be rigid and formal or informal.
 - **Management is System of Authority:** Management as a team of managers represents a system of authority, a hierarchy of command and control. Managers at different levels possess varying degree of authority. Generally, as we move down in the managerial hierarchy, the degree of authority gets gradually reduced. Authority enables the managers to perform their functions effectively.
 - **Management is optimum utilization of resource:** organizations make use of resources, like materials, money, machines, and men, to achieve the objectives. Managers apply their knowledge, principles and methods to utilize them optimally. Even though, people at the operative level directly deal with the resource, it is the responsibility of managers to their proper utilization and integration.
 - **Management involves decision-making:** Management implies making decisions regarding the organisation and operation of business in its different dimensions. The success or failure of an organisation can be judged by the quality of decisions taken by the managers. Therefore, decisions are the key to the performance of a manager.
 - **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.
 - **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. ²⁰

- **Management implies good leadership:** A manager must have the ability to lead and get the desired course of action from the subordinates. According to R. C. Davis, "management is the function of executive leadership everywhere". Management of the high order implies the capacity of managers to influence the behaviour of their subordinates.

⁴²

1.3 LEVELS OF MANAGEMENT:

Level of management refers to the categories or layers of managerial positions in an organization. The level of management determines the amount of authority and status of the person occupying the position at that level. These managerial positions divided into various categories according to their amount of authority and status, they are known as the level of management.

As organizations grow larger and more complex, they usually develop several levels of managerial positions, forming a hierarchy of superior and subordinate reporting relationships. Traditionally, there are three managerial levels, which are usually depicted in the form of a hierarchical pyramid. The total number of personnel found at each level decreases as the management level increases up the pyramid. The largest numbers of people in the organization are at the lower organizational level, at the bottom of the pyramid, and these people operate in a non-managerial capacity. This group consists of individual contributors who are simply the employees who work under the guidance of their supervisors. The levels of management depend upon its size, technical facilities, and the range of product line.

The real significance of levels is that they explain authority relationships in an organization. Considering the hierarchy of authority and responsibility, one can identify three levels of management namely:

Level of management consist of

¹

1. **Top Level Management:** Top-level management is the ultimate authority, which is responsible to the shareholders, government and general public. Top-level managers are ultimately responsible for the entire organization. The top level management, also known as 'central management', includes top executives such as chief executive officer (CEO), chairman of the board of directors, president, executive vice-presidents and various vice-presidents. These managers are primarily involved in broad organizational matters such as policy formulation, long-range strategic planning, goal setting and development of organizational strategies. In general, top management effectively deals with all elements and forces that affect the survival, stability and growth of the organization.

¹

Functions:

- To define mission and fundamental goals.
- To design appropriate organisational set-up
- To develop master plans for different functional areas
- To formulate master strategy and policies
- To provide outstanding leadership
- To achieve coordination and exercise overall control.

2. **Middle management:** Middle level management is the connecting links between the top and the first time managers. The middle management level generally consists of divisional and departmental heads such as a plant manager, production manager, Purchase Manager, marketing manager, financial

control, personnel director, Divisional and Sectional Officers working under these Functional Heads and so on. Their responsibility is to interpret policies and directions set by the top level management into specific plans and guidelines for action. Their further responsibility is to coordinate the working of their departments so that the set objectives can be achieved.

Functions:

- To explain to the lower management, the objectives, strategies and policies laid down by the top managers.
- To communicate to the top management, the problems, suggestions and view points of the lower management
- To prepare departmental plans on the basis of board objectives and guidelines set by the top management
- To design organisational set-up of various functional departments i.e., division of work and span of control
- To control and coordinate the functioning of various functional departments in the organisation.
- To submit a report to the top management on the performance of various departments and individuals.
- To offer suggestions and recommendations to the top management for the improvement of overall functioning.

3. **Lower level management:** Lower level management is also known as the first line management. This level of management consists of supervisors, superintendents, unit heads, foremen, chief clerks and so on. The primary concern of the first-level managers is with the mechanics of the job and they are responsible for coordinating the work of their employees. They must possess technical skills so that they can assist their subordinate workers where necessary. They plan day-to-day operations, assign personnel to specific jobs, oversee their activities, evaluate their performances and become a link between the workers and the middle level management. Because they represent both the middle-level management as well as the workers on the other side, the first-line supervisors can easily find themselves in the middle of conflicting demands.

Function

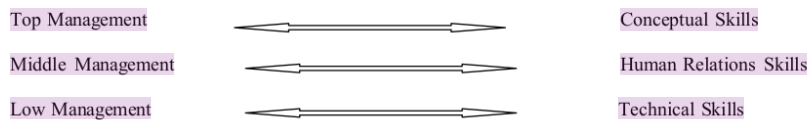
- To day-to-day operational planning, as per the directives of the middle level managers.
- To maintain high level of morale among workers and create conducive environment for them to perform.
- To supervise work of employees and ensure that their performance conform to the predetermined standards.
- To submit reports on the performance of workers and to recommend reward or punishment for them.
- To communicate to workers about the decisions of the top level management and its policies.
- To report to higher authority, the problems, feelings and expectations of the rank and file of workers.
- They are also entrusted with the responsibility of maintaining good relation in the organization.
- They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers. They help to solve the grievances of the workers.
- They supervise & guide the sub-ordinates.
- They arrange necessary materials, machines, tools etc for getting the things done.

1.4 MANAGEMENT SKILLS:

A skill is an individual's ability to translate knowledge into action. Hence, it is manifested in an individual's performance. Skill is not necessarily inborn. It can be developed through practice and through relating learning to one's own personal experience and background. In order to be able to successfully discharge his roles, a manager should possess three major skills.

An effective manager must possess certain skills in the areas of planning, organising, leading, controlling and decision-making in order to process activities that are presented to him from time to time. In order to be effective, a manager must possess and continuously develop several essential skills. Robert L. Katz has identified three basic types of skills - technical, human and conceptual - which he says are needed by all managers. Conceptual skill deals with ideas, technical skill with things and human skill with people. While both conceptual and technical skills are needed for good decision-making, human skill is necessary for a good leader. All managers must acquire these skills in varying proportions, although the importance of each category of skill changes at different management levels.

Skill-mix of different management levels



The **conceptual skill** refers to the ability of a manager to take a broad and farsighted view of the organization and its future, his ability to think in abstract, his ability to analyze the forces working in a situation, his creative and innovative ability and his ability to assess the environment and the changes taking place in it. Technical skill is considered to be very crucial to the effectiveness of lower level managers because they are in direct contact with employees performing work activities within the firm. For instance, the success of a drilling supervisor of an oil rig depends a great deal on his technical knowledge of drilling. In short, it is his ability to conceptualize the environment, the organization, and his own job, so that he can set appropriate goals for his organization, for himself and for his team. This skill seems to increase in importance as a manager moves up to higher positions of responsibility in the organization. It is the ability to use the tools, procedures or techniques of a specialized field.

However, as one moves to higher levels of management within the organisation, the importance of technical skill diminishes because the manager has less direct contact with day-to-day problems and activities. Thus, the president of an oil company does not need to know much of the technical details of drilling for oil or how to refine it.

Human relations skill is the ability to interact effectively with people at all levels. This skill is essential at every level of management within the organisation, but it is particularly important at lower levels of management where the supervisor has frequent contact with operating personnel. This skill develops in the manager sufficient ability:

- to recognize the feelings and sentiments of others;
- to judge the possible actions to, and outcomes of various courses of action he may undertake
- to examine his own concepts and values which may enable him to develop more useful attitudes about himself.

This type of skill remains consistently important for managers at all levels.

6

It is the ability to work with, understand and motivate other people.

5

The **technical skill** is the manager's understanding of the nature of job that people under him have to perform. It refers to a person's knowledge and proficiency in any type of process or technique. In a production department this would mean an understanding of the technicalities of the process of production. Whereas this type of skill and competence seems to be more important at the lower levels of management, its relative importance as a part of the managerial role diminishes as the manager moves to higher positions. In higher functional positions, such as the position of a marketing manager or production manager, the conceptual component, related to these functional areas becomes more important and the technical component becomes less important.

16

Design skill is added by **Koontz and Weihrich**. Design skill is the ability to solve problems in ways that will help the organisation. At higher levels, managers should be able to do more than see a problem, to design a workable solution to a problem in the light of realities they face. If managers merely see a problem and become problem watchers they will fail.

2

Communicational skills Communication skills are basic to all other skills and are important at all levels of management. A manager's best ideas will have little impact if they cannot be communicated effectively. Good communication is the foundation of sound management. Proper communication eliminates delays, misunderstandings, confusion, distortions and conflicts and improves coordination and control. The ten managerial roles as discussed earlier are based upon the premise that managers possess writing, verbal and non-verbal communicational skills. Accordingly, communicational skill plays an important role in all walks of human life as well as organizational life.

1.5 FUNCTIONS OF MANAGEMENT:

6

As we have seen above, there are many management functions in business and, therefore, many manager titles. Regardless of title, the manager is responsible for planning, directing, monitoring and controlling the people and their work.

6

According to **Reitz**, Managers generally work for long hours, their days are broken up into a large number of brief and varied activities, they interact with large number of different people, they do little reflective planning and spend most of their time engaged in oral communication. They spend a lot of time getting, giving and processing information.

6

More popular and widely accepted is the functions given by **Henry Fayol**. According to him, the managerial functions may be broadly classified into five categories: planning, organising, directing, staffing and controlling. Managers perform these functions within the limits established by the external environment and must consider the interests of such diverse groups as government, employees, unions, customers, shareholders, competitors and the public. For theoretical purposes, it may be convenient to separate the management functions and study them independently but practically speaking, they defy such categorizations. They are highly inseparable. Each function blends into the other and each can be performed in any order or sequence, not necessarily in the order shown above, but tend to be performed (normally) in the planning, organising, leading and controlling sequence.

Urwick states that there are six management functions. They are

- Forecasting
- Planning
- Organizing

- Commanding
- Coordinating
- Controlling

Along with those functions he also considers research and communications as vital functions of management.

Luther Gulick provides a term called **POSDCORB** to classify the functions of management. **POSDCORB** refers to the functions of

- Planning (P)
- Organizing (O)
- Staffing (S)
- Directing (D)
- Coordinating (CO)
- Reporting (R)
- Budgeting (B)

Newman and Summer classify the functions of management into

- Planning
- Organizing
- Leading
- Measuring and controlling

Koontz and O'Donnell classify the management functions into

- Planning
- Organizing
- Staffing
- Directing
- Controlling

J.L. Massie classifies management into

- Planning
- Decision making
- Organizing
- Staffing
- Controlling
- Directing

3 From the above classifications, it can be concluded that planning, organizing, staffing, directing and controlling are the primary functions of management. A brief discussion of the five basic functions is presented under:

6

1. Planning: Planning is the process of making decisions about future. It is the process of determining enterprise objectives and selecting future courses of actions necessary for their accomplishment. It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom. Planning provides direction to enterprise activities. It helps managers cope with change. It enables managers to measure progress toward the objectives so that corrective action can be taken if progress is not satisfactory.

Planning is a fundamental function of management and all other functions of management are influenced by the planning process. Planning is considered to be the central function of the management and determines an organization's direction. It is a rational and systematic way of making decisions today that will affect the future of the company. It involves the process of ascertaining organizational goals

and objectives and deciding on activities to attain these objectives. It is also a process of preparing for change and coping with uncertainty by formulating future courses of action. Planning is particularly important because of scarce resources and uncertain environments with a fierce competition for these resources.

2. Organizing: Organising is concerned with the arrangement of an organisation's resources - people, materials, technology and finance in order to achieve enterprise objectives. It involves decisions about the division of work, allocation of authority and responsibility and the coordination of tasks. The function increases in importance as a firm grows. A structure is created to cope with problems created by growth. Through this formal structure, the various work activities are defined, classified, arranged and coordinated. Thus, organising refers to certain dynamic aspects: What tasks are to be done? Who is to do them? How the tasks are to be grouped? Who is to report to whom? Where the decisions have to be made?

It requires a formal structure of authority and the direction and flow of such authority through which work sub-divisions are defined, arranged and coordinated. Each part relates to other parts in a united and coherent manner so as to attain the prescribed objectives.

3. Staffing: Staffing is the function of employing suitable persons for the enterprise. People are responsible for the progress or the problem of any organization. The right person should be employed for the right job. Staffing provides proper personnel who are competent, qualified and with the essential skill to perform the job efficiently. It may be defined as an activity where people are recruited, selected, trained, developed, motivated and compensated for manning various positions. It includes not only the movement of individuals into an organisation, but also their movement through (promotion, job rotation, transfer) and out (termination, retirement) of the organisation.

4. Directing. The function of guiding and supervising the activities of the subordinates is known as directing. Acquiring physical and human assets and suitably placing them on jobs does not suffice; what is more important is that people must be directed towards organisational goals. The directing function is concerned with leadership, communication, motivation and supervision so that the employees perform their activities in the most efficient manner possible in order to achieve the desired goals. The leadership element involves issuing of instructions and guiding the subordinates about procedures and methods in a manner so that the employees follow willingly and with enthusiasm. The communication must be open both ways so that the information can be passed on to the subordinates and the feedback received from them. Motivation is very important, since highly motivated people show excellent performance with less direction from superiors. Supervising subordinates in a friendly but firm manner would give continuous progress reports as well as assure superiors that directions are being properly carried out. All components of the function of leading are important ingredients of organizational behaviour.

5. Controlling: The function of control consists of those activities that are undertaken to ensure that the events do not deviate from the pre-arranged plans. The objective of controlling is to ensure that actions contribute to goal accomplishment. It helps in keeping the organisational activities on the right path and aligned with plans and goals. In controlling, performances are observed, measured and compared with what had been planned. If the measured performance is found wanting, the manager must find reasons and take corrective actions. If the performance is not found wanting, some planning decisions must be made, altering the original plans. If the controlling function is to be effective, it must be preceded by proper planning. The activities consist of establishing standards for work performance, measuring performance and

comparing it to these set standards and taking corrective actions as and when needed to correct any deviations. Again behavioural processes and characteristics are embedded in this function since control involves performance evaluation, reward and recognition systems and motivation.

1.6 ²⁹MANAGEMENT ³²AN ART, SCIENCE AND PROFESSION ⁷Management is an art

‘Art’ refers to “the way of doing specific things; it indicates how an objective is to be achieved.” Management like any other operational activity has to be an art. Most of the managerial acts have to be cultivated as arts of attaining mastery to secure action and results.

⁷George Terry states that management is an art, which is the “bringing about of a desired result through the application of skill”. In fact, art mainly refers to the practical application of theoretical knowledge. Management is an art because management principles are evolved and accepted not merely for the sake of knowledge, but to apply them to the actual practical situations in problem solving and decision making.

A manager is not only a scientist but also an artist. At times, he has to depend upon his own experience, intuition and judgments in taking managerial decisions. In fact, as a decision maker, a manager is more of an artist. This art of decision making has to be acquired by continuous effort and practice.

But in the day-today experience of a manager, he has to be both a scientist and an artist. For any him, both are essential, mutually interdependent and complementary. For any successful manager, even in this computer age judgments, imagination, intuition and experience are absolutely essential. Let us observe how far management has possessed the features of an art:

a. Learning through experience: arts like music, painting, sculpture, driving, ect., can be learnt mostly through regular practice and experience eventhough knowledge of certain basic principles is necessary. It is true that management to some extent is an art, because managers can acquire human skills mostly through practice and experience. But to evolve structures and to solve technical problems the knowledge of theory is essential.

b. Creativity: in order to become more skillful in a ¹⁰particular art, creativity i.e. thinking in a new dimensions and ways is vital. Management is creative like any other art. Creativity is major dimension in managerial success.

c. **No single way to do:** securing success in arts is mostly personal, i.e, depending upon knowledge and presentation of an individual. And there is no single best way to complete a particular task. This is very much true in management, especially in solving problems. Because every problem is unique and needs a distinct solution.

d. **Result oriented approach:** the process of management is directed to achieve certain results like any other art. Because any art is directed to secure a particular outcome. Likewise, management has to ensure the completion of projects on time and aims at achieving maximum productivity at lower costs.

7 e.

Management as a science

Science refers to a systematic body of knowledge acquired through observation, experimentation and intelligent speculation. Management deals with the systematic knowledge of acquiring the skill of getting things done through others. Management has become a discipline, which is more organized and systematic.

As a science, management is a fast developing subject. The principles of management are universal in nature and are being applied in every branch of human activity. As it deals with human beings, it is considered a social science also. A manager has to develop new knowledge, new principles and accept thoughts of new schools of management. A scientific attitude is absolutely essential for a manager in problem solving and decision making.

Science is based upon logical consistency, experimentation, evaluation, systematic explanation and analysis. Scientific principles establish cause and effect relationship between various factors. The validity of principles can be verified as they provide a reliable basis for predicting future events. The principles are exact and have universal applicability. How far management has possessed these characteristics has been verified below.

a. **Systematized body of knowledge:** several management thinkers like F.W.Taylor, Henry Fayol, Chester I .Barnard, Follett and Drucker etc., have provided so many principles regarding the body of knowledge of formulate management theory. But all these principles are subject to modification based upon the factors like nature of organisation, corporate philosophy, level of technology and quality of people.

b. **Universal application:** science principles are derived from basic truths and they can be applied and practiced in all situations and at all times, it means they have universal application. The fundamental principles of management can be universally applied. .

c. **Cause and effect relationship factors:** principles of sciences explain cause and effect relationship between various factors and while explaining to consider only quantitative factors which are exact. Whereas management relies not only on quantitative factors but also on qualitative factors in order to explain cause and effect relationships in the organizations. Hence management is not as exact as other sciences.

d. **Empirical confirmation:** scientific principles are testable and these tests are capable of repetition with same result. Thus rationality of scientific system can be maintained. Where as it does not happen clearly in the case of management principles. As many of them lack empirical evidence and are not testable.

e.

Management as profession

There is a controversy regarding the nature of management, that is whether management can be considered as a profession or not. The doctiorial meaning of a profession is a thing in which one professes to have acquired specialized knowledge. Hence, Carr Saunders states, a profession may be defined as a occupation based upon specialized intellectual study and training, the purpose of which is to supply skilled service or advice to others for a definite fee or salary.

In the broad sense, it refers to any occupation by which a person earns livelihood by practicing it, but it must have certain underlying principles for study. Examples are medicine; engineering and law can be considered as professions. McFarland observes the criteria to consider an occupation as a profession.

- i. The existence of an organized and systematic body of knowledge.
- ii. Formal method of acquisition of the knowledge
- iii. Existence of an association with the goal of professionalization of that particular of occupation
- iv. The charging of fee based on the service of professional. But the priority must be for social service not of money.

1.7 SUMMARY

In this lesson, an attempt is made to study the overview of management. Today, management refers to managing: changes and challenges; crises; complexities; confidence; culture and credibility; to succeed and to accomplish. Management refers to the series of functions, and also to the people who discharge it. Management is a discipline and culture. Further, it is also discussed whether management nature, functions and managerial skills in this lesson. And it is also discussed whether management is an art, science or professional.

1.8 KEY WORDS

- ❖ **Management:** It is the art of getting things done through or by people. Management is a vital means by which all endeavors can be achieved and is a directing and unifying force in all group efforts. Management is the art of knowing what you want to do in the best and cheapest way.
- ❖ **Management as process:** Management is a process, in the sense that it is of determined objectives. George R. Terry, a well-known author, is of the opinion that management is a distinct process consisting of planning, organizing, directing and controlling, which are performed to determine and accomplish objectives by the use of people and resources.
- ❖ **Top level managers:** Top level managers are a small group of policy makers responsible for the overall strategic management of the organization. It is the responsibility of the top managers to develop the objectives and strategies of the organization.
- ❖ **Mid level managers:** These managers are those with a number of responsibilities and linking or connecting activities. They direct the activities of the lower level managers.
- ❖ **Lower level managers:** These managers are in direct contact with the employees, who usually produce the goods or service of an organization. They are referred to as supervisors or foremen in some organizations.
- ❖ **POSDCORB:** it refers to the functions of Planning (P), Organizing (O), Staffing (S), Directing (D), Coordinating (CO), Reporting (R) and Budgeting (B).
- ❖ **Managerial skills:** A skill is an acquired and learned ability to translate knowledge into performance. It is competency that allows for performance to be superior in the field in which the worker has the required skill. All managers need to possess technical, interpersonal, conceptual, diagnostic, communicational and political skills. While technical and diagnostic skills refer to the knowledge and ability of understanding the processes involved and scientifically analysing problems and opportunities, all other skills deal with people in one form or the other and hence contribute to the understanding of organizational behaviour.
- ❖ **The functions of management:** It includes measuring quantity, adjusting plans and meeting targets. According to Fayol, managers perform five basic functions in order to achieve results viz. planning, staffing, organising, directing and controlling.
- ❖ **Art:** It is the bringing about a desired result through the application of skill.
- ❖ **Science:** A systematically organised body of knowledge including concepts, principles and theories.
- ❖ **Professionalisation:** It means defining the duties and responsibilities of the managers to improve the quality of management education and training.

1.9 SELF-ASSESSMENT ²⁴QUESTIONS

1. Define management. Explain functions of management?
2. Explain the meaning and nature of management?
3. Whether management is science or art. Discuss.
4. What a profession? How far management can be professionalized?
5. Describes various managerial skills.

1.10 FURTHER READINGS

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LESSON-2 THEORIES OF MANAGEMENT

OBJECTIVES:

- To understand the importance of Management theories
- To know F W Taylor scientific Management Theory.
- To study on Fayol's principles of management
- To outline the Human Relations Approach

STRUCTURE:

- 2.1 THEORIES OF MANAGEMENT
- 2.2 FW TAYLOR SCIENTIFIC MANAGEMENT THEORY
- 2.3 FAYOL'S PRINCIPLES OF MANAGEMENT
- 2.4 WEBER'S THEORY OF BUREAUCRACY
- 2.5 HUMAN RELATIONS AND QUANTITATIVE APPROACH
- 2.6 SYSTEM APPROACH AND CONTINGENCY APPROACH
- 2.7 SUMMARY
- 2.8 KEY WORDS
- 2.9 SELF-ASSESSMENT QUESTIONS
- 2.10 FURTHER READINGS

2.1 THEORIES OF MANAGEMENT

The practice of management is as old as human civilization. The initial efforts towards management principles could be traced from the organizational practices of Roman Catholic Church, Military organizations and the cameralists who proposed certain principles like scalar chain, specializations, line of command, selection of subordinates and their training and unity of doctrine. Overtime, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and disseminated.

History reveals that strong men organised the masses into groups according to their intelligence, physical and mental capabilities. According to Egyptian literature of 1300 B.C., the art of management was being practiced in different forms by different people. The literature clearly indicates the recognition of the importance of organisation

and administration in the bureaucratic set up. Similar records exist for ancient China. According to L.S. Hsu, Confucius's parables include practical suggestions for proper public administration and admonitions to choose honest, unselfish and capable public officers. In Greece, the existence of the Athenian commonwealth, with its councils, courts, administrators and board of general indicates the nature of management. Similarly, in Rome, the existence of Roman magistrates, with their functional areas of authority and degree of importance, indicates a scalar relationship characteristic of organisation. It is believed that the secret of the success of the Roman Empire lay in the ability of Romans to organise. Through the use of the scalar principle and the delegation of authority, the city of Rome was expanded to an efficient empire.

Management is transient from time to time depending on the prevalent philosophies. Hence, a large variety of concepts emanated in the field of management from classical to neo classical to modern. The chronological contributions of management thinkers are known as Evolution of Management. Though which has formulated Management Theory. We will discuss a few major theories in this lesson.

1. **Classical theory:** It is often called the traditional theory. The classical theory signifies the beginning of the systematic study of management organisation. It can be traced historically to the 19th century prototype industrial and military organisations. Several writers contributed to the classical thought in the early years of the 20th century. The classical theory incorporates three viewpoints:

- Taylor's Scientific Management
- Fayol's Administrative Management; and
- Weber's Ideal Bureaucracy

All the three concentrated on the structure of organisation for greater efficiency. Several other trailblazers have also contributed to the classical theory. Subsequently, notable contributions came from Gullick, Oliver Sheldon, Urwick and many others. All these theorists were concerned with the structure of organisations and that is why their approach is also sometimes labelled as 'structural theory of organisation'.

Features of classical approach are as follows:

- The classical theory laid emphasis on division of labour and specialization, structure, scalar and functional processes and span of control. Thus, they concentrated on the anatomy of formal organisation.
- The classical theorist's emphasis organisation structure for co-ordination of various activities. They ignored the role of human element.
- The classical theory ignored the impact of external environment on the working of the organisation. Thus, it treated organisations as closed systems.
- The efficiency of the organisation can be increased by making each individual efficient.
- The integration of the organisation is achieved through the authority and control of the central mechanism. Thus, it is based on centralization of authority.
- There is no conflict between the individuals and the organisation. In case of any conflict, the interests of the organisation should prevail.
- The people at work could be motivated by the economic rewards as they were supposed to be 'rational economic persons'.

2.2 F.W TAYLOR SCIENTIFIC MANAGEMENT THEORY

3

Federick Winslow Taylor is widely known as the father of the scientific management movement. He was the first to identify and emphasize the need to have a scientific approach to the task of managing an enterprise. Taylor first published his theory on management in a paper entitled "A Piece rate system", presented to the American Society of Mechanical Engineers in 1895. Further, he developed it and published Shop Management in 1903 and Principles of Scientific

Management in 1911.

In his popular book, "The Principles of Management" he states that he wrote the book for three main reasons.

1. To point out through a series of simple illustrations, the great loss which the whole country is suffering through inefficiency in almost all types of daily acts.
2. To try to convince the trader that the remedy for his inefficiency lies in scientific management
3. To prove that the best management is a true science resting upon clearly defined rules, law and principles and these principles of scientific management are applicable to all kinds of human activities from one simple, individual act to the work of a great corporation.

According to Taylor, it is not proper to find just a way for doing something, a manager has to find the one right way. His major concern was to increase efficiency in production, it includes not only of lower costs and raise profits, but also to increase pay for workers through their higher productivity. Further, he emphasized that analysis, planning and control of work should be separated from the execution of work. Managers should be responsible for analysis and planning of work in advance, whereas workers should be responsible for the performance of the work as per plans.

Principles of scientific management: Taylor has endeavored to introduce scientific approach in business management and wanted to make it as exact as possible. The objective of Taylorism was to enhance production and productivity in the organizations. The basic four principles are stated as follows:

1. The development of a true science of work.
2. The scientific selection and progressive development of the workman.
3. The bringing together of the science of work and scientifically selected and trained men.
4. The constant and initiate cooperation of management and men.

Elements of scientific management:

Taylor basically recommended making management a science resting on well recognized, clearly defined and fixed principles. The elements of scientific management are:

- a. Separation of planning from doing
- b. Modifications to organization
- c. Improvement in the methods of work
- d. Differential piece rate system
- e. Mental revolution

To put the philosophy of scientific management into practice, Taylor and his associates suggested the following techniques:

1. Scientific task setting to determine a fair day's work.
2. Work study to simplify work and increase efficiency. This involves methods study, time study and motion study.
3. Standardization of materials, tools, equipment, costing system, etc.
4. Scientific selection and training of workers.
5. Differential piece-wage plan to reward the highly efficient workers.
6. Specialization in planning and operations through 'functional foremanship'. Foremen in the planning department include: route clerk, instruction card clerk, time and cost clerk and shop disciplinarian and those in the operations department include: gang boss, speed boss, repair boss and inspector.
7. Elimination of wastes and rationalization of system of control

Criticism of Scientific Management

Taylor's scientific management was criticized not only by the workers and managers but also by the psychologists and the general public.

The main grounds of criticism are given below:

- The use of the word 'Scientific' before 'Management' was objected because what is actually meant by scientific management is nothing but a scientific approach to management.
- Taylor advocated the concept of functional foremanship to bring about specialization in the organisation. But this is not feasible in practice as a worker can't carry out instructions from eight foremen.

- Scientific management is production-centered as it concentrates too much on the technical aspects of work and undermines the human factor in industry.
- Scientific Management ignores social and psychological needs of workers as it treats them as extension of machines devoid of any feelings and emotions.
- Trade unionists regarded the principles of scientific management as the means to exploit labour because the wages of the workers were not increased in direct proportion to productivity increases.

Many of the above objections were later remedied by the other contributors to scientific management like Henri L. Gantt, Frank Gilbreth, Lillian Gilbreth and Harrington Emerson. Many of the recommendations of Taylor are still being applied by the modern business undertakings. In short, it can be said that Taylor was the pioneer in introducing scientific reasoning to the discipline of management. Taylor concentrated more on productivity and productivity based wages. He stressed on time and motion study and other techniques for measuring work. Apart from this, in Taylor's work, there also runs a strongly humanistic theme. He had an idealist's notion that the interests of workers, managers and owners should be harmonized.

3.1 FAYOL'S PRINCIPLES OF MANAGEMENT

The advocates of this school perceive management as a process involving certain functions such as planning, organising, directing and controlling. That is why; it is also called the 'functional' approach. Henri Fayol is regarded as the father of this school. Henri Fayol defined management in terms of certain functions and then laid down fourteen principles of management which according to him have universal applicability.

Henry Fayol is claimed to be the real father of modern management. He was a Frenchman born in 1841 and was working as an engineer with a mining company. He improved the condition of the company from virtual bankruptcy to high success. From his practical experience, he developed some techniques. He brought out some basic principles, which he felt, could be used in all management situations, irrespective of the organizational framework. He wrote a book entitled, *General and Industrial Management*, in French that was later on translated into English. It is now considered as one of the classics of management literature. The book mainly covers the aspects of the immutable and repetitive character of the management process and the concept that management can be taught in the classroom or the workplace. He also laid down the principles of management, which he deemed important for any organization.

Henry Fayol is considered the father of modern theory of general and industrial management. He divided general and industrial management into six groups:

1. **Technical activities:** Production, manufacture, adaptation.
2. **Commercial activities:** Buying, selling and exchange.
3. **Financial activities:** Search for and optimum use of capital.
4. **Security activities:** Protection of property and persons.
5. **Accounting activities:** Stock-taking, balance sheet, cost, and statistics.
6. **Managerial activities:** Planning, organisation, command, co-ordination and control.

These six functions had to be performed to operate successfully any kind of business. He, however, pointed out that the last function i.e., ability to manage, was the most important for upper levels of managers.

The process of management as an ongoing managerial cycle involving planning, organizing, directing, co-ordination, and controlling, is actually based on the analysis of general management by Fayol. Hence, it is said that Fayol established the pattern of management thought and practice. Even today, management process has general recognition.

Fayol's Principles of Management: The principles of management are given below:

1. **Division of work:** This is the principle of specialisation, which is very well expressed by economists as being a necessary factor for efficiency in the utilisation of labour.

2. **Authority and responsibility:** In this principle, Fayol conceives authority as a combination of official authority deriving from a manager's official position and personal authority, which is compounded of intelligence, experience, moral worth, past services etc.
3. **Discipline:** Holding the notion that discipline is "respect for agreements which are directed as achieving obedience, application, energy and the outward marks of respect", Fayol declares that discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.
4. **Unit of command:** This is the principle, which states that an employee should receive orders from one superior only.
5. **Unity of direction:** According to Fayol, the unity of direction principle implies that each group of activities having the same objectives must have one head and one plan. As distinguished from the principle of unity of command, Fayol perceives unity of direction as related to the functioning of personnel.
6. **Subordination of individual interest to general interest:** In any group, the interest of the group should supersede that of the individual. When the interests differ, it is the function of the management to reconcile them.
7. **Remuneration of personnel:** Fayol perceives that remuneration and methods of payment should be fair and also should be able to afford the maximum satisfaction to employee and employer.
8. **Centralization:** Although Fayol does not use the term, Centralization of Authority, his principle definitely refers to the extent to which authority is concentrated or dispersed in an enterprise. Individual circumstances determine the degree of centralization that gives the best over all yields.
9. **Scalar Chain:** Fayol thinks of the scalar chain as a line of authority, a chain of superiors from the highest to the lowest ranks. And, because it is an error of a subordinate to depart needlessly from the lines of authority, the chain should be short-circuited.
10. **Order:** Breaking this principle into material order and social order, Fayol thinks of it as a simple edge for everything. This organization is the principle, which refers to arrangement of things and persons in an organization.
11. **Equity:** Fayol perceives this principle as one of eliciting loyalty and devotion from personnel with a combination of kindness and justice in managers while dealing with subordinates.
12. **Stability of tenure of personnel:** Finding that instability is both the cause and effect of bad management, Fayol points out the dangers and costs of unnecessary turnover.

13. **Initiative:** Initiative is conceived as the process of thinking out and executing a plan. Since it is one of the keenest satisfactions for an intelligent man to experience, Fayol exhorts managers to sacrifice personal vanity in order to permit subordinates to exercise it.
14. **Esprit de corps:** Esprit de corps is a combination of French words, it means unity is strength. This principle implies that union is strength and an extension of the principle of unity of command. Fayol here emphasises on the need for teamwork and the importance of communication in obtaining it.

7.

Criticism of Process of Functional Approach

Though the proponents of management process approach have made significant contribution to the development of thought, their work suffers from the following limitations:

- There is no single classification of managerial functions acceptable to all the functional theorists. There is also lack of unanimity about the various terms such as management and administration, commanding and directing, etc.
- The functionalists considered their principles to be universal in nature. But many of the Notes principles have failed to deliver the desired results in certain situations.
- The functional theorists did not consider the external environment of business.
- Fayol overemphasized the intellectual side of management. He felt that management should be formally taught, but he did not elaborate the nature and contents of management education.

3.2 WEBER'S THEORY 'BUREAUCRACY'

Max Weber (1864-1920), a German sociologist contributed his views on bureaucracy to the management thought. His primary contribution includes his theory of authority structure and his description of organisations based on the nature of authority relations within them. Weber's theory 'bureaucracy' recognizes rational-legal authority as the most important type in organisations. Under traditional authority, leaders are not chosen for their competence, an charismatic authority is too emotional and irrational. A bureaucratic organisation which is based on rational-legal authority display the following features:

1. **Division of Work:** There is a high degree of division of work at both the operative and administrative levels. This leads to specialization of work.
2. **Hierarchy of Positions:** There is a hierarchy of authority in the organisation. Each lower position is under the control of a higher one. Thus, there is unity of command. The bureaucratic structure is hierarchical in nature. It is like a pyramid in which quantity of authority increases as one moves up the ladder in the organisation.
3. **Rules and Regulations:** The rules, regulations and procedures are clearly laid down by the top administration. Their benefits are as under:
 - They standardize operations and decisions.
 - They serve as receptacles of past learning.
 - They protect incumbents and ensure equality of treatment.
4. **Impersonal Conduct:** There is impersonality of relationships among the organizational members. The decisions are entirely guided by rules and regulations and are totally impersonal. There is no room for emotions and sentiments in this type of structure.
5. **Staffing:** The personnel are employed by a contractual relationship between the employee and employer. The tenure of service is governed by the rules and regulations of the organisation. The employees get a salary every months which is based on the job they handle and also the length of service.
6. **Technical Competence:** The bureaucrats are neither elected not inherited, but they are appointed through selection and the basis of selection is their technical competence. Promotions in bureaucracies are also

based on technical qualifications and performance.

Weber's ideal bureaucracy has been designed to bring rationality and predictability of behavior in organizations. It is an administrative device that can help in achieving the following advantages:

- There is a proper delegation of authority in the organisation. People are given tasks according to their competence.
- Because of rules and regulations, all actions are taken carefully. There is consistency of actions.
- The behaviour of the employees is rational. They take decisions as per laws, rules and regulations. They don't go by their whims, emotions or prejudices.
- The behaviour of the employees is predictable. It is known how they will react under different situations as guidelines are already there in writing.
- Bureaucracy leads to efficiency in the organisation. There is division of work leading to specialization which results in efficiency.

Criticism of Bureaucracy

It is not free of flaws. It may lead to many undesirable consequences such as:

- The rules may be followed in letter and not in spirit. Thus, instead of providing guidelines, the rules may become source of inefficiency. The rules may be misused or misinterpreted by the persons concerned with the implementation of rules. Red tapism and technicalism may follow as a result.
- Bureaucracy does not consider informal organisation and inter-personal difficulties.
- Bureaucracy discourages innovation because every employee is supposed to act as per rules and regulations or to the secondary goals.
- Goal displacement may take place in a bureaucratic organisation. The bureaucrats may give priority to rules and regulations or to the secondary goals.
- The bureaucratic structure is tall consisting of several layers of executives.

3.3 HUMAN RELATIONS APPROACH AND QUANTITATIVE APPROACH

The neo-classicists focused on the human aspect of industry. The behavioral or the human relations approach is based upon the premise of increase in production and managerial efficiency through an understanding of the people. The behavioural approach of management thought developed, in part, because of perceived weaknesses in the assumptions of the classical approach. The human relations approach is concerned with recognition of the importance of human element in organisations. It revealed the importance of social and psychological factors in determining workers' productivity and satisfaction. It was instrumental in creating a new image of man and the work place the neo-classical or human relations approach put stress on inter- personal relations and informal groups at the work-place. The human relations argued that achievement of organisational objectives is impossible without the willing cooperation of people and such cooperation cannot be automatically secured or ordered. It has to be consciously achieved. The neo-classical approach advocated people oriented organisation structure which will integrate both informal and formal organisations.

They modified the classical theory by emphasizing the fact that organisation is a social system and the human factor is the most important element within it. They conducted some experiments (known as Hawthorne Experiments) and investigated informal groupings, informal relationships, patterns of communication, patterns of informal leadership, etc. This led to the development of human relations approach.

Elton Mayo is generally recognized as the father of the Human Relations School. Other prominent contributors to this school include Roethlisberger, Dickson, Dewey, Lewin, etc.

The basic tenets of neo-classical theory or human relations approach are as under:

- ❖ The business organisation is a social system.
- ❖ The behaviour of an individual is dominated by the informal group of which he is a member.
- ❖ An individual employee cannot be motivated by economic incentives alone. His social and psychological needs must be satisfied to improve the level of motivation.
- ❖ In an organisation, it is ultimately cooperative attitude and not the more command which yields result.
- ❖ Management must aim at developing social and leadership skills in addition to technical skills. It must take interest in the welfare of workers.
- ❖ Morale and productivity go hand in hand in an organisation.

Contributions of Human Relations Approach or Hawthorne Studies

In 1927, a group of researchers led by George Elton Mayo and Fritz J. Roethlisberger at the Harvard Business School were invited to join in the studies at the Hawthorne Works of Western Electric Company, Chicago. The experiment lasted upto 1932. Earlier, from 1924 to 1927, the National Research Council made a study in collaboration with the Western Electric Company to determine the effect of illumination and other conditions upon workers and their productivity. The human relationists proposed the following points as a result of their findings of the Hawthorne experiments:

- **Social System:** The organisation in general is a social system composed of numerous interacting parts. The social system defines individual roles and establishes norms that may differ from those of the formal organisation.
- **Social Environment:** The social environment on the job affects the workers and is also affected by them. Management is not the only variable. Social and psychological factors exercise a great influence on the behaviour of workers. Therefore, every manager should adopt a sound human approach to all organisational problems.
- **Informal Organisation:** The informal organisation does also exist within the frame work of formal organisation and it affects and is affected by the formal organisation.
- **Group Dynamics:** At the workplace, the workers often do not act or react as individuals but as members of groups. The group determines the norms of behaviour for the group members and thus exercises a powerful influence on the attitudes and performance of individual workers. The management should deal with workers as members of work group rather than as individuals.
- **Informal Leader:** The informal leader sets and enforces group norms. He helps the workers to function as a social group and the formal leader is rendered ineffective unless he conforms to the norms of the group.
- **Communication:** Two-way communication is necessary because it carries necessary information downward for the proper functioning of the organisation and transmits upward the feelings and sentiments of people who work in the organisation. It will help in securing workers' cooperation and participation in the decision-making process. Workers tend to be more productive when they are given the opportunity to express their feelings, opinions and grievances. This also gives them psychological satisfaction.
- **Non-economic Rewards:** Money is only one of the motivators, but not the sole motivator of human behaviour. The social and psychological needs of the workers are very strong. So non-economic rewards such as praise, status, interpersonal relations, etc. play an important role in motivating the employees. Such rewards must be integrated with the wages and fringe benefits of the employees.
- **Conflicts:** There may arise conflicts between the organisational goals and group goals. Conflicts will ham the interest of workers if they are not handled properly. Conflicts can be resolved through improvement of human relations in the organisation.

Criticism of Human Relations Approach

The human relations approach has been criticized on the following grounds:

- **Lack of Scientific Validity:** The human relationists drew conclusions from Hawthorne studies. These conclusions are based on clinical insight rather than on scientific evidence.
- **Over-emphasis on Group:** The human relations approach over-emphasises the group and group decision-making.
- **Over-stretching of Human Relations:** It is assumed that all organisational problems are amenable to solutions through human relations.
- **Limited Focus on Work:** The human relations approach lacks adequate focus on work.
- **Over-stress on Socio-psychological Factors:** The human relations approach undermines the role of economic incentives in motivation and gives excessive stress on social and psychological factors.
- **Conflict between Organisational and Individual Goals:** It views conflict between the goal of the organisation and those of individuals as destructive.

QUANTITATIVE APPROACH

This approach is also called 'Mathematical', 'Operations Research' or 'Management Science' approach. The basic feature of the quantitative management thought is the use of mixed teams of scientists from several disciplines. This school used scientific tools for providing a quantitative base for managerial decisions.

Coordination of different teams of scientists from several fields is one of the main characteristics of this school of management thought. This school utilizes all the scientific techniques and tools for providing a quantitative basis of managerial decisions. This school believes that management is a logical process which can be expressed in terms of mathematical symbols and relationships. The main contributors to this school are Taylor, Gilbreth, Gantt, Joel Dean, Newmann, Ackoff and Hicks.

The application of quantitative methods to military and logistical decision problems during and after World War II resulted in the development of operations research. Operations research includes linear programming, critical Path Method (CPM), Programme Evaluation Review Technique (PERT), Games Theory, queueing, theory of probability (which helped more in product design and development), inventory control and quality control of raw material and finished goods.

Mathematical techniques have helped management in developing systematic thinking and improved its accuracy. But these quantitative techniques can only be considered as tools in decision making, rather than "be all and end all" of management. There are various problem areas in management which cannot be solved by mere mathematical application or quantitative techniques.

3.4 SYSTEM APPROACH AND CONTINGENCY APPROACH SYSTEM APPROACH

In the 1960s, a new approach to management appeared which attempted to unify the earlier schools of thought. This approach is commonly referred to as 'Systems Approach'. Basically, it took up where the functional process management school left off to try to unify management theory. "A system viewpoint may provide the impetus to

unify management theory. By definition, it could treat the various approaches, such as the process, quantitative and behavioural ones, as subsystems in an overall theory of management. Thus, the systems approach may succeed where the process approach has failed to lead management out of the theory jungle". The systems approach is based on the generalization that an organisation is a system and its Components are inter-related and inter-dependent.

Managerial are encouraged to take into consideration real life situations and practical problems in their decision making. That is why the systems approach has been considered as more realistic than the other approach to the study of management problems. Various physical, biological and social scientists have contributed to develop this school of thought. Kenneth and Boulding extended the application of this approach to management areas, Katz and Kahn to the social systems.

"A system is composed of related and dependent elements which, when in interactions, form a unitary whole. It is simply an assemblage or combination of things or parts, forming a complex whole. It's important feature is that it is composed of hierarchy of sub-systems. The world as a whole can be considered to be systems in which various national economies are sub-system. In turn, each national economy is composed of its various industries, each industry is composed of firms, and of course, a firm can be considered a system composed of sub-systems such as production, marketing, finance, accounting and so on". Thus, each system may comprise several sub-systems and in turn, each sub-system be further composed of sub-systems.

An organisation as a system has the following characteristics:

- ❖ A system is goal-oriented.
- ❖ A system consists of several sub-systems which are interdependent and inter-related.
- ❖ A system is engaged in processing or transformation of inputs into outputs.
- ❖ An organisation is an open and dynamic system. It has continuous interface with the external environment as it gets inputs from the environment and also supplies its output to the environment. It is sensitive to its environment such as government policies, competition in the market, technological advancement, tastes of people, etc.
- ❖ A system has a boundary which separates it from other systems.

CONTINGENCY APPROACH

A review of the earlier schools of management helps us to place the current approach to management in perspective. The performance results of the management process school's universalist assumptions were generally disappointing. The behavioural approach to management was incomplete. Certain quantitative techniques worked in some situations and not in others. The quantitative people could not solve behavioural problems and behavioural people could not overcome operations problems adaptable to quantitative solutions. Many authors believe that systems based theory could solve this dilemma. But this approach is also as yet incomplete. The latest approach to management which integrates the various approaches to management is known as 'contingency' or 'situational' approach.

The contingency approach is not new. Pigors and Myers propagated this approach in the area of personnel management as early as in 1950. However, the work of Joan Woodward in the 1950s marked the beginning of the contingency approach to organisation and management. Other contributors include Tom Burns, G.W. Stalker, Paul Lawrence, Jay Lorsch, and James Thompson. They analyzed the relationship between the structure of the organisation and the environment. Thus, contingency approach incorporates external environment and attempts to bridge the theory-practice gap. It does so in the systems framework. The contingency theory stresses that there is no one best style of leadership which will suit every situation. The effectiveness of a particular leadership style will vary from situation to situation. For instance, participative leadership may be more effective in an organization employing professional personnel in a high technology operation in an atmosphere of nonmaterialistic orientation and free expression. On the other hand, authoritarian leadership would be more effective in an organisation which employs unskilled personnel on routine tasks in social values oriented towards materialism and obedience to authority. The contingency approach is not new. Pigors and Myers

propagated this approach in the area of personnel management as early as in 1950.

However, the work of Joan Woodward in the 1950s marked the beginning of the contingency approach to organisation and management. Other contributors include Tom Burns, G.W. Stalker, Paul Lawrence, Jay Lorsch, and James Thompson. They analyzed the relationship between the structure of the organisation and the environment. Thus, contingency approach incorporates external environment and attempts to bridge the theory-practice gap. It does so in the systems framework. In other words, contingency approach as regards organisation as an open and dynamic system which has continuous interaction with environment. The contingency theory stresses that there is no one best style of leadership which will suit every situation. The effectiveness of a particular leadership style will vary from situation to situation. For instance, participative leadership may be more effective in an organization employing professional personnel in a high technology operation in an atmosphere of nonmaterialistic orientation and free expression. On the other hand, authoritarian leadership would be more effective in an organisation which employs unskilled personnel on routine tasks in social values oriented towards materialism and obedience to authority.

Systems Approach vs. Contingency Approach

Systems Approach	Contingency Approach
It lays emphasis on the interdependencies and interactions among systems and sub-systems.	It identifies the nature of inter- dependencies and the impact of environment of organisational design and managerial style.
It treats all organisations alike. Size of the organisation, and its socio-cultural settings are not considered.	Each organisation is to be studied as a unique entity.
It studies organisation at the philosophical level.	It follows an action-oriented approach and so is pragmatic. It is based on empirical studies.
4.It does not comment on the validity of the classical principles of management.	4.It rejects the blind application of the classical principles of management.
It simply lays down that the organisation interacts with the environment.	The impact of environment on the organisation structure and managerial style is the major concern of contingency approach.

3.5. SUMMARY

In this lesson, it is to bring out the development of management thought consist of the contributions of several important management thinkers like classical, neoclassical and other approaches to the study of management. The classical writers placed emphasis on purpose and structure, on the technical requirements of the organisation, on principles of management, and on the assumption of rational and logical behaviour. The human relations writers emphasized the importance of the informal organisation and the psychological and social needs of people at work. The systems approach attempts to integrate the work of the classical and human relations writers. Contingency theory highlights possible means of differentiating between alternative forms of structures and systems of management.

3.6 KEY WORDS

- ❖ **Theory of Management:** Management theory is yet one of the pivotal approaches employed to analyze the concept of management and organisation. Management theories are both classical and neo classical.
- ❖ **Classical theory:** It concentrates on the structure of the organisation for the achievement of organisational goals and certain principles of management. The classical theory signifies the beginning of the systematic study of management organisation. It is often called the traditional theory.
- ❖ **Neo-classical Theory:** This approach emphasizes on the importance of social and psychological factors in determining workers' productivity and satisfaction.
- ❖ **Weber's bureaucracy:** Weber's ideal bureaucracy has been designed to bring rationality and predictability of behaviour in organisations.
- ❖ **Scientific management:** Scientific management means application of scientific methods to the problems of management. Taylor advocated scientific task setting based on time and motion study, standardization of materials, tools and working conditions, scientific selection and training of workers and so on. It is to be noted that Taylor's thinking was confined to management at the shop level.
- ❖ **Henri Fayol's principles:** Henri Fayol defined management in terms of certain functions and then laid down fourteen principles of management which according to him have universal applicability.
- ❖ **Human relations approach:** The human relations approach is concerned with recognition of the importance of human element in organisations. It revealed the importance of social and psychological factors in determining workers' productivity and satisfaction. It was instrumental in creating a new image of man and the work place. The neo-classical or human relations approach put stress on inter-personal relations and informal groups at the work-place.
- ❖ **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
- ❖ **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organisation from the top to the bottom. Scalar denotes steps.
- ❖ **Systems approach:** The systems approach is based on the generalization that an organisation is a system and its components are inter-related and inter-dependent.

3.7 SELF-ASSESSMENT QUESTIONS

1. Write a note on theory of management?
2. What is meant by scientific management? Discuss the various elements of scientific management.
3. What are Fayol's Principles of management?
4. Describe the Max Weber theory of Bureaucratic.
5. What is systems approach to management? Describe its salient features

3.8 FURTHER READINGS

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LESSON-3

HEALTHCARE MANAGEMENT

OBJECTIVES:

- To understand on Healthcare Management
- To list the various roles and responsibility of healthcare management
- To study on corporate social responsibility.

STRUCTURE:

- 3.1 Introduction
- 3.2 Significance of healthcare Management
- 3.3 Roles of healthcare Management
- 3.4 Healthcare Management Responsibilities
- 3.5 Types of Healthcare managements
- 3.6 Corporate social responsibility
- 3.7 Summary
- 3.8 Keywords
- 3.9 Self-Assessment Questions
- 3.10 Further Readings

3.1 INTRODUCTION

The healthcare industry is vast and has a massive impact all over the globe. From medical insurance to drug manufacturers, there are many areas that require management. The term refers to the overall management and leadership of both public and private healthcare organizations. Essentially, healthcare management is in place to ensure that operations in the entire healthcare sector are maintained seamlessly. Central to healthcare management is deciding when to hire new professionals within clinics and hospitals etc. with the global population rising, staff numbers across the industry are constantly rising too. Within the NHS alone, there was a 2.9% increase in the number of staff from 2020-21, equating to 37,488 more staff members.

Although staff numbers generally increase each year, the healthcare industry has seen an enormous increase in their workload and staff numbers in more years due to COVID-19. Hospitals were overloaded with unwell patients and the need for a vaccine along with its implementation became another cause for increased workload and staff.

There is an abundance of challenges that healthcare workers face day to day and having the correct management in place can ease these struggles. With the industry ever growing it only makes sense that careers in healthcare will continue to rise.

The healthcare industry is constantly progressing and advancing, so it's crucial to stay on top of things to make sure every area of a hospital or relevant facility is maintained.

- ❖ Planning, directing and coordinating non-clinical activities within the respective healthcare establishment.
- ❖ The managing of budgets and finance of the overall healthcare establishment.
- ❖ The creation of work schedules for all staff, as well as the planning for when new staff should be hired.
- ❖ The overseeing of individual departments to ensure that they are run smoothly and effectively.
- ❖ Carrying out quality assurance and risk assessment work, maintain patient satisfaction and wellbeing.
- ❖ The supervision of all staff, including caregivers, doctors and providers.

Meaning of healthcare management

Healthcare management is exactly what the name implies. It's the overall management of a healthcare facility, such as a clinical or hospital. A healthcare manager is in charge of ensuring a healthcare facility is running as it should in terms of budget, the goals of the facility's practitioner and the needs of the community. A person in charge of healthcare management oversees the day to day operations of the facility.

The healthcare manager also acts as a spokesperson when providing information to the media. The person in charge of healthcare management also collaborates with medical staff leaders on issues such as medical equipment, department budgets, planning ways to ensure the facility meets their goals and maintain a good relationship with doctors, nurses and all department heads. The healthcare manager also makes decisions about performance evaluations, staff expectations budgeting, social media updates and billing.

Healthcare management is an umbrella term that covers a wide variety of job titles. Clinical directors, healthcare supervisors, health coordinators and nursing home facilitators often have degrees in healthcare management. And also people who work at hospitals or in private practice, they may also work at public health centers, emergency care clinics, insurance companies or pharmaceutical companies as a manager on their roles.

In other words, "healthcare management encompasses the efforts involved in planning, directing, and coordinating nonclinical activities within healthcare systems, organizations and networks".

The term healthcare management is often used interchangeably with healthcare administration due to the similarities between the two. Both roles are very closely interlinked and share the majority of their responsibilities. However, it depends on the organization as to whether these titles mean the same thing or if they are split into separate roles.

The common difference between the two is that healthcare administrators often handle more staff management related tasks, whereas healthcare managers take care of the overall organization. Let's take a look at what a healthcare administration role entails:

- ❖ Directly manage staff
- ❖ Improve the efficiency of established healthcare practices
- ❖ Develop department specific objectives
- ❖ Keep and organize records of services within the facility
- ❖ Ensure regulatory compliance

3.2 SIGNIFICANCE OF HEALTHCARE MANAGEMENT

Healthcare management is an essential part of a fully functional hospital or healthcare organization, and without management, the industry couldn't function effectively.

- ❖ It's no secret that in most cases, a business or organization thrives under the correct management, but leadership and management within healthcare is particularly important.
- ❖ Whilst most industries provide goods and service, what makes healthcare different from the rest is that it provides life saving goods and services.
- ❖ The services and products that are provided within the healthcare industry are preventing people from experiencing pain, curbing sickness and potentially saving lives. Therefore, the correct leadership tactics are crucial to make sure that everything is done correctly and keep everyone safe.
- ❖ Experts in the field of healthcare are needed in order to keep on top of shifts in laws and regulations as well as stay on track with any medical advancement to offer the best care available. The industry is continually advancing and moving forward, so management is needed to guide medical centers and hospital in the right direction.

3.3 ROLES OF HEALTHCARE MANAGEMENT

A. General Role

The hospital manager like any other manager performs various role; the managerial roles as described by Mitzberg can be grouped as follows, which are equally relevant for hospital managers also. These are interpersonal, informational and decision role.

i. Interpersonal role:

- ❖ **Figurehead role:** As a symbolic head, obliged to perform certain duties, like attending ceremonies, etc.
- ❖ **Leader:** Responsible for motivating employees.
- ❖ **Liaison:** Maintain contacts with outside organizations and develop rapport with other organizations.

ii. Informational role:

- ❖ **Recipient:** Receives Information for inside the hospital or outside the hospital or outside organizations, government hospitals private hospital, national Govt., state Govt. etc.
- ❖ **Disseminator:** Transmits the information, after processing it to the people who need it, inside the organization or outside the organization.
- ❖ **Spokesperson:** He represents the hospital and calls press conferences conduct board meetings, etc.

iii. Decision role:

- ❖ **Entrepreneur:** Searches for opportunities. He is visionary and can arrange for resources for improvement.
- ❖ **Disturbance Handler:** Responsible for corrective action and crisis management during strike, disaster etc.

- ❖ **Resource allocator:** Responsible for allocation of resources to various areas of the hospital, budgeting and scheduling activities.
- ❖ **Negotiator:** Responsible for representing the hospital for negotiation, in respect of public private partnership, manager or joint ventures etc.

B. **Specific roles:** By virtue of serving of healthcare organization the hospital manager performs some specific roles which are described below. The hospital manger ensures that hospital runs effectively and efficiently. The role of hospital managers varies depending upon the nature and complexity of hospital. Various roles can be grouped as role towards patients, towards hospital organization and community.

1. **Role towards patients:** the hospital manger has a great responsibility to understand and appreciate the emotional aspects of the patient care, his responsibility is to understand the specific needs of certain groups of patients, i.e. patients on wheelchairs, stretchers, geriatric group of patients, pediatric patients, neonates, serious cases, foreign nationals etc. Some of the aspect of patients are given below:

- Creation of friendly environment.
- Understanding patients physical needs
- Patient's emotional needs
- Patient's clinical needs
- Patient's satisfaction
- Patient's education
- Patient's communication needs.

2. **Role towards hospital organization:** To handle the hospital resources for maximizing the output is one of the fundamental roles of the manager. Hospital is complex organization, it it's a labor intensive organization working for day and night and without break; expectations of the workers are very high and unity of direction and unity of command are often violated. The role of manager is more of coordination in nature instead of controlling he is coordinating officer.

- Strategic planning
- Environmental influence on the hospital
- Operational management
- Management of hospital staff

- Material management
- Financial management

- Hospital information
- Communication
- Public relation
- Risk management
- Law, ethics and code of conduct
- Marketing of health services
- Quality management

C. **Role towards community:** Hospital is a community organization; it receives inputs from the community in the form of manpower, material, money, machines, land, building, environment, information and gives output to the community. Community participation is must for the success of any health program. The utilization of health facility is also an important behavior of the community. Hospital may provide state of the art care, but if community does not utilize it: it will go to waste. Hospital must fulfill the felt needs of the community. There should be social responsiveness and social responsibility of the hospital managers. This can be achieved by:

- Integrating with primary health care
- Integrating hospital with other healthcare organization
- Community participation in planning of service and also for utilization of hospital services
- Outreach programs like health camps, camp surgery, immunization camps etc.

3.4 HEALTHCARE MANAGEMENT RESPONSIBILITIES

Becoming a healthcare manager is ideal for those who want to make a difference and work in the industry but in a less clinical setting. Let's take a look at some general responsibilities of a healthcare manager:

- ❖ Optimize budgets and deal with general finance
- ❖ Define outcomes and develop plans and strategies
- ❖ Attend various meetings and report back to staff
- ❖ Oversee day to day operations of hospital or department
- ❖ Maintain relationships with stakeholders
- ❖ Handle any issue that arise
- ❖ Manage changes within the healthcare facility and deal with it appropriately.

3.5 TYPES OF HEALTHCARE MANAGEMENT

There is a variety of healthcare managers that fall under the umbrella of healthcare management and naturally, all areas of healthcare require these leadership and management roles. Here are some types of healthcare management roles.

1. **Health coordinators:** this role is most typically found within hospitals and nursing homes and they are responsible for evaluating and monitoring the quality of care provided their service area. A health coordinator can expect to develop care plans for patients, document the care provided and order any necessary medical supplies.
2. **Clinical directors:** the role of a clinical director applies across all areas of healthcare, including hospitals, nursing homes, and research centers and clinics. Clinical directors are responsible for leading and guiding their teams of staff to reach the organization's overall goals. Their duties include developing goals, setting departmental budgets, creating staff procedures and hiring new members of staff when needed
3. **Hospital managers:** hospital manager roles are found within hospital facilities, but they can also be found within specific clinical areas and private practices. Hospital managers take main responsibility of the entire facility, so they have quite a varied range of responsibility. As a hospital manager, expect to spend times

overseeing finances, communicating with stakeholders and investors and ensuring compliance with laws and regulations. The following are the needed Healthcare manager skill:

- ❖ **Interpersonal skills:** this skill is absolutely essential to healthcare management, no matter what subsection is decide to pursue. The healthcare manager will be working alongside key medical staff, stakeholders and attend multiple meetings and conference. It's vital to have the ability to voice his thought and opinions well and are able to use the interpersonal skills to thoroughly interact with a range of people daily.
 - ❖ **Communication skills:** similar to interpersonal skills this is also a must for working alongside others. As well as taking part in meetings the healthcare manager is responsible for emails and record keeping. The written communication skills have to be just as strong as the verbal communication so that any information is distributed correctly.
 - ❖ **Organization:** as part of the role of healthcare manager, he need to keep track of important information and data about patients, medication and regulations. Since this information is so important, being able to organize well and keep this sensitive information in order is essential.
4. **Health supervisors:** Roles for health supervisors are offered within care facilities and health service providers and the role is similar to that of a healthcare administrator. They typically work within emergency care centers and hospitals and they responsible for a lot of business administration task. For example a health supervisor can expect to record information, attend meetings and report back care staff schedules and keep track of data within databases.

3.6 CORPORATE SOCIAL RESPONSIBILITY

Social responsibility of business refers to what the business does, over and above the statutory requirement, for the benefit of the society. The word responsibility connotes that the business has some moral obligations to the society. The term corporate citizenship is also commonly- used to refer to the moral obligations of business to the society. This implies that, just as individuals, corporates are also integral part of the society and that their behaviour shall be guided by certain social norms. The operations of business enterprises affect a wide spectrum. The resources they make use of are not limited to those of the proprietors and the impact of their operations is felt also by many a people who are in no way connected with the enterprises.

The shareholders, the suppliers of resources, the consumers, the local community and society at large are affected by the way an enterprise functions. Hence, a business enterprise has to be socially very responsive so that a social balance may be struck between the opposing interests of these groups.

The contemporary view of social responsibility of business is substantially broader and benevolent than the classical one. According to the classical view, business has only economic objectives and no other responsibility beyond that. Milton Friedman, a Nobel economist and a proponent of this view, argues that "there is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud. Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine.

The contemporary view of business is an ecological one according to which business is an integral part of the society to serve a social purpose. Proponents

this view like Davis and Blomstorm hold that business is a social institution, performing a social mission and having a broad influence on the way people live and work together.

According to **Steiner and Steiner**, a reasonable approach to social responsibility is as follows.

- ❖ Each business must take into account the situation in which it finds itself in meeting stakeholder expectations.
- ❖ Business is an economic entity and cannot jeopardize its profitability meeting social needs.
- ❖ Business should recognize that in the long run, the general social good benefits everyone.
- ❖ The social responsibility expected of a business is directly related to its social power to influence outcomes.
- ❖ Social responsibility is related to the size of the company and to the industry it is in.
- ❖ A business should tackle only those social problems in which it has competence.
- ❖ Business must assume its share of the social burden and be willing to absorb reasonable social costs.

3.5.1 FACTORS AFFECTING SOCIAL ORIENTATION

Important factors, which influence the social orientation of companies, include the following.

1. **Promoters and Top Management:** The values and vision of promoters and top management is one of the very important factors, which influence the corporate social responsibility.
2. **Board of Directors:** As it is the Board of Directors, which decides the major policies and resource allocation of company, the attitude of the members of the Board is an important influence of the social orientation.
3. **Stakeholders and Internal Power Relationship:** The attitude of various stakeholders like shareholders, creditors, employees etc. and the internal power relationship also affect the social orientation of a company. Beyond a certain level of economic activity, the social issues at stake may become conflicting.
4. **Societal Factors:** The social orientation of company is also influenced by certain characteristics of the society and general attitude and expectation of the society regarding the social responsibility of business. For example, a resourceful firm located in a poor community may be expected to contribute to the development of education and health facilities etc. of the locality where as such involvement may not be required of a firm in a well-developed community. The orientations or approaches may vary in accordance with the environment. The behaviour or social orientation expected of business may vary between different societies.
5. **Industry and Trade Associations:** Industry and trade associations also influence the behaviour of the firms by establishing professional and ethical codes and norms, education and collective decisions.
6. **Government and Laws:** Laws are society's codification of right and wrong. Business shall play the rules of the game. Antitrust legislations, legislations to curb corruption, unfair practices etc. vary between nations. What is right or not anti-law in one country may not be so in some other country. Further, what is legally controlled in some countries have no legal control in some other countries. Besides legislation, there are other methods of government influence like guidelines, persuasion, incentives (like tax exemptions) and pressurizing. The social orientation would also depend on the government's view of social responsibility and the power and earnestness of government / agencies (like SEBI, for example) in dealing with defaulting companies.
7. **Political Influences:** Political influences include pressure exerted by special interest groups in society and media to control business practices. These include a variety of non-government organizations (NGOs) like consumer interest groups, environmentalists etc. They use a variety of methods like lobbying to persuade government and public agencies to adopt regulatory measures, conducting public awareness campaigns, and even direct confrontation with the business in some cases.
8. **Competitors:** The competitive forces also influence social orientation of company. Two types of competitive behaviour are often noted. When one or some companies become socially involved, others may be encouraged or provoked to do something. Sometimes, there may be competition between companies to out-perform others. The other way by which the society benefits by competitive behaviour is the actions of suing competitors for unfair practices or publicly exposing the misbehaviour

of competitors.

9. **Resources:** The financial position and other resources of the company also affect social involvement of companies.
10. **Ethical Influences:** Another factor influencing the social orientation is the ethical decision-making and self-regulation of business conduct. Some companies have well laid down codes and norms of ethical behavior. See the previous chapter for more information.

3.5.2 RESPONSIBILITIES OF DIFFERENT SECTIONS

There is no unanimity of opinion as to what constitutes social responsibility of business. The important generally accepted responsibilities of the business to different sections of the society are described below.

R

responsibility to shareholders: The responsibility of a company to its shareholders, who are the owners, is indeed a primary one. The fact that the shareholders have taken a great risk in making investment in the business should be adequately recognised. To protect the interests of the shareholders and employees, "the primary business of a business is to stay in business". To safeguard the capital of the shareholders and to provide a reasonable dividend, the company has to strengthen and consolidate its position. Hence, it should develop and improve its business and build up its financial independence. Needless to say, to provide dividend, the company should earn sufficient profit. Adequate reserves should be built up so that it will be able to declare a reasonable dividend during a lean period as well. If a company fails to cope with changes in a changing and dynamic world, its position will be shaken, and the shareholders' interests will be affected.

By innovation and growth the company should consolidate and improve its position and help strengthen the share prices. The shareholders are interested not only in the protection of their investment and the return on it but also in the image of the company. It shall, therefore, be the endeavour of the company to ensure that its public image is such that the shareholders can feel proud of their company. It may be mentioned here that the shareholders also have certain responsibilities, which they have to discharge to protect their own interests. They shall not only offer whole-hearted support and co-operation in the positive efforts of the company but shall also guide and control properly its policies and activities. At the same time, they shall appreciate the responsibility of the business to other sections of society: to the workers, consumers and the community.

2. **Responsibility to employees:** The success of an organisation depends to a very large extent on the morale of the employees and their whole-hearted co-operation. Employee morale depends to a large extent on the discharge of the company's responsibilities to them and the employer-employee relationship. The responsibility of the organisation to the workers include:

- ❖ The payment of fair wages;
- ❖ The provision of the best possible working conditions;
- ❖ The establishment of fair work standards and norms;
- ❖ The provision of labour welfare facilities to the extent possible and desirable;
- ❖ Arrangements for proper training and education of the workers;
- ❖ Reasonable chances and proper system for accomplishment and promotion;
- ❖ Proper recognition, appreciation and encouragement of special skills and capabilities of the workers;
- ❖ The installation of an efficient grievance handling system;

- ❖ An opportunity for participating in managerial decisions to the extent desirable.
- 3. **Responsibility to consumers:** According to Peter Drucker, "there is only one valid definition of business purpose; to create a customer." Drucker observes: "The customer is the foundation of a business and keeps it in existence. He alone gives employment. To supply the wants and needs of a consumer, society entrusts wealth-producing resources to the business enterprise". It has been widely recognised that customer satisfaction shall be the key to satisfying the organisational goals. Important responsibilities of the business to the customers are:
 1. To improve the efficiency of the functioning of the business so as to increase productivity and reduce prices, improve quality, and smoothen the distribution system to make goods easily available.
 2. To do research and development, to improve quality and introduce better and new products.
 3. To take appropriate steps to remove the imperfections in the distribution system, including black-marketing or profiteering by middlemen or anti-social elements.
 4. To supply goods at reasonable prices even when there is a seller's market.
 5. To provide the required after-sales services.
 6. To ensure that the product supplied has no adverse effect on the consumer.
 7. To provide sufficient information about the products, including their adverse effects, risks, and care to be taken while using the products.
 8. To avoid misleading the customers by improper advertisements or otherwise.
 9. To provide an opportunity for being heard and to redress genuine grievances.
 10. To understand customer needs and to take necessary measures to satisfy these needs.
- 4. **Responsibility to the community:** A business has a lot of responsibility to the community around its location and to the society at large. These responsibilities include:
 - ❖ Taking appropriate steps to prevent environmental pollution and to preserve the ecological balance.
 - ❖ Rehabilitating the population displaced by the operation of the business, if any.
 - ❖ Assisting in the overall development of the locality.
 - ❖ Taking steps to conserve scarce resources and developing alternatives, wherever possible.
 - ❖ Improving the efficiency of the business operation.
 - ❖ Contributing to research and development.
 - ❖ Development of backward areas.
 - ❖ Promotion of ancillarisation and small-scale industries.
 - ❖ Making possible contribution to furthering social causes like the promotion of education and population control.
 - ❖ Contributing to the national effort to build up a better society.

3.7. SUMMARY

Healthcare management is very significant in the modern healthcare organizations. Managers are those people who make decisions throughout the day. They make decisions regarding the utilization of resources, directions of objectives and integration of activities etc. healthcare management is that part of the hospitals which brings results and it has unique existence. Modern hospital business organizations are

large, highly complex and innovative; hence they called for high quality management for their successful and long term existence.

Healthcare management deals with individuals and groups in the organization to achieve the objectives. It means managers achieve the objectives through successful operation and performance of groups working together in the organization. Later it was also explained the concept of social responsibility of business i.e. towards the shareholders, employees, society and customers of their business in a detail manner.

3.8 KEYWORDS

- ❖ **Healthcare management:** it is exactly what the name implies. It's the overall management of a healthcare facility, such as a clinical or hospital. A person in charge of healthcare management oversees the day to day operations of the facility. In other words, "healthcare management encompasses the efforts involved in planning, directing, and coordinating nonclinical activities within healthcare systems, organizations and networks".
- ❖ **Interpersonal role:** which is an figurehead role, leader and liaison
- ❖ **Role towards patients:** the hospital manager has a great responsibility to understand and appreciate the emotional aspects of the patient care, his responsibility is to understand the specific needs of certain groups of patients, i.e. patients on wheelchairs, stretchers, geriatric group of patients, pediatric patients, neonates, serious cases, foreign nationals etc.
- ❖ **Role towards community:** Hospital is a community organization; it receives inputs from the community in the form of manpower, material, money, machines, land, building, environment, information and gives output to the community. Community participation is must for the success of any health program. The utilization of health facility is also an important behavior of the community. Hospital may provide state of the art care, but if community does not utilize it: it will go to waste. Hospital must fulfill the felt needs of the community.
- ❖ **Health coordinators:** this role is most typically found within hospitals and nursing homes and they are responsible for evaluating and monitoring the quality of care provided their service area. A health coordinator can expect to develop care plans for patients, document the care provided and order any necessary medical supplies.
- ❖ **Hospital managers:** hospital manager roles are found within hospital facilities, but they can also be found within specific clinical areas and private practices. Hospital managers take main responsibility of the entire facility, so they have quite a varied range of responsibility. As a hospital manager, expect to spend times overseeing finances, communicating with stakeholders and investors and ensuring compliance with laws and regulations.
- ❖ **Social responsibility of business:** it refers to what the business does, over and above the statutory requirement, for the benefit of the society. The word responsibility connotes that the business has some moral obligations to the society. The term corporate citizenship is also commonly- used to refer to the moral obligations of business to the society. This implies that, just as individuals, corporate are also integral part of the society and that their behaviour shall be guided by certain social norms. The responsibility of business include towards the shareholders, employees, customers and community etc.

3.9 SELF-ASSESSMENT QUESTIONS

1. Define healthcare management? What is the significance to healthcare management?
2. What are the different roles and responsibilities of the healthcare managers?
3. Discuss briefly the concept of social responsibility of business?

3.10 FURTHER READINGS

- Hospital Administration and Management –A Comprehensive Guide, Joydeep Das Gupta, Jaypee Brothers Medical Publishers; Second Edition-2015.
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LESSON-4 PLANNING

OBJECTIVES:

- To understand the Concept and nature of Planning.
- To explain the process of planning
- To describe types of plans

STRUCTURE:

- 4.1. INTRODUCTION
- 4.2. NATURE OF PLANNING
- 4.3. PURPOSE OF PLANNING
- 4.4. PLANNING PROCESS
- 4.5. TYPES OF PLANNING
- 4.6. PREMISING
- 4.7. SUMMARY
- 4.8. KEYWORDS
- 4.9. SELF-ASSESSMENT QUESTIONS
- 4.10. FURTHER READINGS

4.1 INTRODUCTION

Planning is the most fundamental function of management. An organization can succeed in effective utilization of its human financial and material resources only when its management decides in advance its objectives, and methods of achieving them. Without it purposive and coordinated effort is not possible, and what results are chaos, confusion and wastage of resources. Planning involves determination of objectives of the business, formation of programmes and courses of action for their attainment, development of schedules and timings of action and assignment of responsibilities for their implementation. Planning thus precedes all efforts and action, as it is the plans and programmes that determine the kind of decisions and activities required for the attainment of the desired goals. Planning is also an essential prerequisite for the performance of control function, as it provides criteria for evaluating performance. Planning thus precedes all managerial functions.

Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done. It is the process of determining a

course of action, so as to achieve the desired results. It helps to bridge the gap from where we are, to where we want to go. It makes it possible for things to occur which would not otherwise happen. Planning is a higher order mental process requiring the use of intellectual faculties, imagination, foresight and sound judgment.

Definition of Planning

A plan is a forecast for accomplishment. It is a predetermined course of action. It is today's projection for tomorrow's activity. In other words, to plan is to produce a scheme for future action, to

bring about specified results at a specified cost, in a specified period of time.

According to **Kootz and O'Donnel**, planning involves selecting enterprise objectives, departmental goals, and programmes, and determining the ways of reaching them. Planning, thus, provides a rational approach to pre-selected objectives.

According to **Mc Farland**, planning in business is selecting the best course of action for achieving the pre determined objectives of a business, after making a careful evaluation of present conditions and future trends regarding the external forces and internal resources.

According to **Allen Lous**, planning involves the development of forecasts, objectives, policies, programmes, procedures, schedules and budgets.

According to **Philip Kotler**, planning is deciding in the present what to do in future. It is the process whereby companies reconcile their resources with their objective and opportunities.

Planning is a process which involves anticipation of future course of events and deciding the best course of action. It is a process of thinking before doing. To plan is to produce a scheme for future action; to bring about specified results, at specified cost, in a specified period of time. It is deliberate attempt to influence, exploit, bring about, and control the nature, direction, extent, speed and effects of change. It may even attempt deliberately to create change, remembering always that change (like decision) in any one sector will in the same way affect other sectors. Planning is a deliberate and conscious effort done to formulate the design and orderly sequence actions through which it is expected to reach the objectives. Planning is a systematic attempt to decide a particular course of action for the future, it leads to determination of objectives of the group activity and the steps necessary to achieve them. Thus, it can be said that planning is the selecting and relating of facts and the making and using of assumptions

regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.

Planning is thus deciding in advance the future state of business of an enterprise, and the means of attaining it. Its elements are:

1. What will be done – what are the objectives of business in the short and in the long run?
2. What resources will be required – This involves estimation of the available and potential resources, estimation of resources required for the achievement of objectives, and filling the gap between the two, if any.
3. How it will be done – This involves two things : (i) determination of tasks, activities, projects, programmes, etc., required for the attainment of objectives, and (ii) formulation of strategies, policies, procedures, methods, standard and budgets for the above purpose.
4. Who will do it – It involves assignment of responsibilities to various managers relating to contributions they are expected to make for the attainment of enterprise objectives. This is preceded by the breaking down of the total enterprise objectives into segmental objectives, resulting into divisional, departmental, sectional and individual objectives.
5. When it will be done – It involves determination of the timing and sequence, if any, for the performance of various activities and execution of various projects and their parts.

4.2 NATURE OF PLANNING

The nature of planning can be understood by focusing on its following aspects:

- ❖ **Planning is goal-oriented:** All plans arise from objectives. Objectives provide the basic guidelines for planning activities. Planning has no meaning unless it contributes in some positive manner to the achievement of predetermined goals.
- ❖ **Planning is a primary function:** Planning is the foundation of management. It is a parent exercise in management process. It is a preface to business activities.
- ❖ **Planning is all-pervasive:** Planning is a function of all managers. It is needed and practiced at all managerial levels. Planning is inherent in everything a manager does. Managers have to plan before launching a new business.

- ❖ **Planning is a mental exercise:** Planning is a mental process involving imagination, foresight and sound judgment. Planning compels managers to abandon guesswork and wishful thinking.
- ❖ **Planning is a continuous process:** Planning is continuous. It is a never-ending activity. Once plans for a specific period are prepared, they are translated into action.
- ❖ **Planning involves choice:** Planning essentially involves choice among various alternative courses of action.
- ❖ **Planning is forward looking:** Planning means looking ahead and preparing for the future. It means peeping into the future, analysing it and preparing for it.
- ❖ **Planning is flexible:** Planning is based on a forecast of future events. Since future is uncertain, plans should be reasonably flexible.
- ❖ **Planning is an integrated process:** Plans are structured in a logical way wherein every lower-level plan serves as a means to accomplish higher level plans. They are highly interdependent and mutually supportive.
- ❖ **Planning includes efficiency and effectiveness dimensions:** Plans aim at deploying resources economically and efficiently. They also try to accomplish what has been actually targeted. The effectiveness of plans is usually dependent on how much it can contribute to the predetermined objectives.

4.3. PURPOSE OF PLANNING

Some of the reasons as to why planning is considered a vital managerial function are as follows:

- **Planning is essential in modern business:** The growing complexity of modern business with the rapid technological changes, dynamic changes in consumer preferences and growing tough competition necessitates orderly operations, not only in the current environment but also in the future business environment. Since planning takes a future outlook, it takes into account the possible future developments.
- **Planning affects performance:** A number of empirical studies provide evidence of organizational success being a function of formal planning, the success being measured by such factors as returns on investment, sales volume, growth in earnings per share, and so on. An investigation of thirty-six firms in various industrial products like machinery, steel, oil, chemicals and drugs revealed that companies that engaged in formal planning consistently performed better than those with no formal planning.
- **Planning puts focus on objectives:** The effectiveness of formal planning is primarily based upon clarity and specificity of objectives. The objectives provide a direction and all planning decisions are directed towards achievement of these objectives. Plans continuously reinforce the importance of these objectives by focusing on them. This ensures maximum utility of the managerial time and efforts.
- **Planning anticipates problems and uncertainties:** A significant aspect of any formal planning process is the collection of relevant information for the purpose of forecasting the future as accurately as possible. This would minimize the chances of making haphazard decisions. Since the future needs of the organization are anticipated, the proper acquisition and allocation of resources can be planned, thus minimizing wastage and ensuring optimal utility of these resources.
- **Planning is necessary to facilitate control:** Controlling involves the continual analysis and measurement of actual operations against the established standards. These standards are set in the light of objectives to be achieved. Periodic reviews of operations can determine whether the plans are being implemented correctly or not.
- **Planning helps in 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 take routine decisions about current activities since the objectives, plans, policies, schedules, etc., are clearly laid down.

4.4. PLANNING PROCESS

Planning is a vital managerial function. It is intellectually demanding. It requires a lot of time

and effort on the part of planners. They must adopt a systematic approach so as to avoid pitfalls, errors and costly mistakes which may upset the whole business later on. Such a systematic approach may consist of the following steps:

1. **Establishing objectives:** The first step in the planning process is to identify the goals of the organisation. The internal as well as external conditions affecting the organisation must be thoroughly examined before setting objectives. The objectives so derived must clearly indicate what is to be achieved, where action should take place, who is to perform it, how it is to be undertaken and when is it to be accomplished. In other words, managers must provide clear guidelines for organisational efforts, so that activities can be kept on the right track.
2. **Developing premises:** After setting objectives, it is necessary to outline planning premises. Premises are assumptions about the environment in which plans are made and implemented. Thus, assumptions about the likely impact of important environmental factors such as market demand for goods, cost of raw materials, technology to be used, population growth, government policy, etc. on the future plans are made. The demand for fuel efficient vehicles in the late 1980s has compelled virtually all automobile manufacturers in India to go in search of collaborative agreements with foreign manufacturers from Japan, Germany, USA, etc. Plans should be formulated by the management, keeping the constraints imposed by internal as well as external conditions in mind.
3. **Evaluating alternatives and selection:** After establishing the objectives and planning premises, the alternative courses of action have to be considered. Liberalisation of imports and the use of high technology in recent times has encouraged manufacturers to produce colour television sets, electronic sets, electronic equipments, videos, computers, fuel-efficient vehicles, etc. Thus, changes in government policy, technology, competition, etc. pose several alternatives before manufacturers, from time to time, regarding the product they should manufacture. Such alternatives have to be carefully evaluated against factors like costs, associated risks involved, benefits likely to arise, availability of spare capacity, etc. The pros and cons as well as the consequences of each alternative course of action must be examined thoroughly before a choice is made.
4. **Formulating derivative plans:** After selecting the best course of action, the management has to formulate the secondary plans to support the basic plan. The plans derived for various departments, units, activities, etc., in a detailed manner are known as 'derivative plans'. For example, the basic production plan requires a number of things such as availability of plant and machinery, training of employees, provision of adequate finance, etc. To ensure the success of a basic plan, the derivative plans must indicate the time schedule and sequence of performing various tasks.
5. **Securing cooperation and participation:** The successful implementation of a plan depends, to a large extent, on the whole-hearted cooperation of the employees. In view of this, management should involve operations people in the planning activities. Suggestions, complaints and criticisms from operating personnel help management rectify the defects in plans and set things right in the beginning itself. Involvement of subordinates in planning has the unique advantage of getting a practical view of those closer to the scene of operations. According to Koontz, 'plans have to be set in an atmosphere of close participation and a high degree of concurrence'. Participation enables employees to give their best to plans. They are also motivated to carry out the plan to the best of their ability.

6. **Providing for follow-up:** Plans have to be reviewed continually to ensure their relevance and effectiveness. In the course of implementing plans, certain facts may come to light that were not even thought of earlier. In the light of these changed conditions, plans have to be revised. Without such a regular follow-up, plans may become out-of-date and useless.

4.5. TYPES OF PLANNING

Planning may be of different types. Before we know the types of plans the below are the criteria for effective plans in management. These are

Criteria for classifying plans:

A plan can encompass a future course of action. All plans are also classified as:

- ❖ **Missions:** The basic purpose of the existence of the business is called the mission. For instance, the purpose of a college or university is teaching and research. The purpose of a firm is production and distribution of goods and services. Mission may be defined as a statement which defines the role that an organization plays in the society. For example Canara Bank mission is “Good People to Grow With”.
 - ❖ **Objectives:** objectives are the goals or end results towards which all management activities are directed. It is a term commonly used to indicate the end point of management programme. Objective should be specific and set for different. They are the basic purpose of the enterprise well defined goals or clear objectives are essential for the smooth progress and growth of any organization.
 - ❖ **Strategies:** the term strategy has originally come from Greece. It refers to the techniques of directing a military force in the light of the enemy force's action. In the management sense also, it has the same competitive implications. It is also regarded as interpretative planning.
 - ❖ **Policies:** Policies are guidelines to action. They are the basic statements serving as guides to the thinking and action of subordinates in repetitive situations. They provide broad guidelines.
 - ❖ **Procedure:** procedures provide the manner in which a particular work has to be done. They also provide a sequence of steps to be followed in the execution of a plan. These chronological series of steps constitute a procedure. If a programme indicates what is to be done, a procedure indicates how it should be done. A procedure guides in detail how work should be performed, thereby providing a definite way.
 - ❖ **Rules:** A rule is a guide to action. It is in the nature of a decision made by the management regarding what is to be done and what is not to be done in a given situation. A rule is more rigid. A rule may or may not be a part of procedure. It will not have any scope for discretion, as they are specific and definite.
 - ❖ **Programmes:** programmes are sets of goals, policies, procedures, rules and other components required to carry out a course of action.
 - ❖ **Budgets:** a budget is a basic plan or statement defining the anticipated cost of attaining an objective.
 - ❖ **Standards:** a standard is a measure of the level of achievement desired. For all future evolution, it becomes a model. It helps in comparing accomplishment with desired results.
- Now we can classify some of the important **types of plans** are below:
1. **Financial or non-financial plans:** Most plans cannot be translated into action if there is no financial. In fact, planning loses all its significance if sufficient financial resources are not mobilized. Plans that require financial resources are considered financial plans. Plans relating to the physical resources of an organization may be called non financial plans.
 2. **Formal and informal plans:** Mere thinking by managers or contemplation refers to informal plans. When an informal plan is finalized and prepared for implementation, it is considered to be a formal plan.
 3. **Specific and routine plans:** Any plan made with a particular object is known as a specific plan. Day to day normal activities requires some type of regular plan known as a routine plan.
 4. **Strategic and functional plans:** Strategic planning is the overall planning of the enterprise's objectives determined by the top management. A plan made in a functional area like production, purchase, marketing is referred to as a functional plan.
 5. **Long range and short range plan:** The definition of short and long term or range planning depends upon the organizational structure, nature of business, the kind of industry, etc. generally, a short term plan refers to a period covering six to twelve months. A long range plan usually involves time

interval of between three and five years. But the modern concept is to plan for a decade or two.

6. **Administrative and operational plans:** An administrative plan provides the base for operative plans. Administrative planning is done by the top and middle level management, and operational planning by the lower level management.

4.6 PREMISING

Premises are assumptions about the future which provide the basic framework for forecasting and planning activities. As pointed out by Koontz and O' Donnel, premises guide planning. They spell out the stage of the expected future event which is believed will exist when plans operate. They are the expected environment plans.

Planning premises may be either external or internal. Managers have to carefully consider all such factors which have a practical bearing on the plan to be made. Systematic forecasting provides sound premises, and past happenings provide a useful for having sound planning premises.

Types of premises

Premises may be classified as follows:

1. **Internal premises and external premises:** Internal premises are those that can be obtained from internal factors, like sales forecast, the programmes and policies of the company, competent personnel, skilled labour, etc. External premises are derived from the external environment like political, economic, social and technological forces, like population trends, income level employment level, government policies, national income etc.
2. **Tangible and intangible premises:** Tangible premises are those which can be expressed in quantitative terms. Money, time, units of production etc can be expressed in terms of money. Intangible premises are those which cannot be measure in quantitative terms. These are the goodwill of a business, public relations, employee morale and motivation.
3. **Controllable, semi controllable and uncontrollable premises;** factors which can be controlled, like materials, money and machines, etc are controllable premises. These are the factors on which the management has maximum control over its future commitments. Semi controllable premises are those assumptions over which the management can exercise only partial control. Labour relations, marketing strategy etc are such areas where partial control can be exercised. Non controllable premises are those over which the management has absolutely no control. For instance war natural calamities new discoveries and inventions etc.

4. **Constant and variable premises:** constant premises are those which will atr in the same manner, irrespective of the course of action taken. These premises are definite, known and clear, for example, men money and machines. Variable premises are those which differ in relation to the course of action taken, like union management relations.

4.7. SUMMARY

In this lesson, it concludes that the Planning is the first of the four primary management functions and sets the direction for an organization. It involves the major activities such as setting objectives, determining policies and making decisions. Planning is a higher order mental process requiring the use of intellectual faculties, imagination, foresight and sound judgment. By planning managers minimize uncertainty and help focus the sight of their organization on its goals.

4.8. KEYWORDS

- ❖ **Plan:** Plan is an act of formulating a program for a definite course of action. Planning is essential to survive and grow in a fast changing environment. A plan helps a firm take an advantageous position in the market, in line with its internal capabilities.
- ❖ **Planning:** Planning indeed is a bridge between the present and the future, once the mission of the organization has been defined and the goals and objectives established, plans have to be made to accomplish such goals and objectives. It is the process of determining how an organization can get where it wants to reach. The destination of the organization is in the future.
- ❖ **Importance of Planning:** it is important because neither life nor an organization can work in a vacuum or in a haphazard way. Only planning can take all the variables that affect the life of the organization into consideration, analyze their values, and determine their effects in achieving the goals of the organization.
- ❖ **Mission:** A mission statement outlines the organizations goals and future.
- ❖ **Policy:** Policies represent specific objectives and action statements of an organization. A policy should be clearly prescribed and understandable by all. It should be subject to one interpretation and the intent and the content of the policy must be clearly expressed and preferably in writing.
- ❖ **Premises:** Premises are assumptions about the future which provide the basic framework for forecasting and planning activities. As pointed out by Koontz and O' Donnel, 'premises guide planning. They spell out the stage of the expected future event which is believed will exist when plans operate. They are the expected environment plans.

4.9. SELF-ASSESSMENT QUESTIONS

1. What is planning? State the nature of planning.
2. Why is planning important for the success of an organization? Explain.
3. Discuss in detail the steps involved in the planning process.
4. What are the different types of plans?
5. What is the importance of premises in planning? What the different types of premises.

4.10. FURTHER READINGS

- Principles of Management, 6th Edition, PC Tripathi and PN Reddy, Mc Graw Hill Education-2017.
- Principles and Practices of Management, LM Prasad, Sulthan Chand& Sons, New Delhi-2019.
- Management An Introduction, David Boddy, Pearson Education, Seventh Edition- 2018.
- Healthcare Management (Text and Cases), S.K.Sarangi, Himalaya Publishing House- 2011.

LESSON-5

DECISION MAKING

OBJECTIVES:

- To know the Decision Making Concept.
- To identify the characteristics of the Business Decisions
- To study on Decision Making Process

STRUCTURE:

- 5.1. **INTRODUCTION**
- 5.2. **CHARACTERISTICS OF DECISION MAKING**
- 5.3. **IMPORTANCE OF DECISION MAKING**
- 5.4. **PRINCIPLES OF DECISION-MAKING**
- 5.5. **DIFFERENT TYPES OF DECISIONS**
- 5.6. **STAGES IN THE DECISION-MAKING PROCESS**
- 5.7. **SUMMARY**
- 5.8. **KEYWORDS**
- 5.9. **SELF-ASSESSMENT QUESTIONS**
- 5.10. **FURTHER READINGS**

5.1 INTRODUCTION:

Decision-making and problem-solving are basic ingredients of managerial leadership. More than anything else, the ability to make sound, timely decisions separates a successful manager from a non-successful. It is the responsibility of managers to make high quality decisions that are accepted and executed in a timely fashion. On the face of it the decisions should be cohesive, conjectured, contingent, flexible, improved, influencing, intuitional, non-judgemental, objective, operational one. One of the most important functions of a manager is to take decisions. Whatever a manager does, he does through decision-making. Each managerial decision is concerned with the process of decision-making.

Concept of Decision making

It is because of this pervasiveness of decision-making that Professor Herbert Simon has said the process of managing as a process of decision-making. According to him, a post or position cannot be said to be managerial level until and unless the right of decision-making is attached to it. As a matter of fact, it is the core of executive activities in a business organization.

Decision-making is a mental process. It is a process of selecting one best alternative for doing a work. Thus, it is a particular course of action chosen by a decision maker as the most effective alternative for achieving his goals. According to D.E. McFarland, "A decision is an act of choice- wherein an executive forms a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from a number of possible alternatives.

Hence decision-making is a typical form of planning. It involves choosing the best alternative among various alternatives, in order to realize certain objectives. A decision represents a judgement, a final word, and resolution of conflicts or a commitment to act in certain manner in the given set of circumstances. It is really a mental exercise which decides what to do.

Leaders must be able to reason under the most critical conditions and decide quickly what action to take. If they delay or avoid making a decision, this indecisiveness may create hesitancy, loss of confidence, and confusion within the unit, and may cause the task to fail. Since leaders are frequently faced with unexpected circumstances, it is important to be flexible - leaders must be able to react promptly to each situation. Then, when circumstances dictate a change in plans, prompt reaction builds confidence in them.

MEANING AND DEFINATIONS OF DECISION MAKING:

The word "decision" is derived from the Latin words "de ciso" which means, "cutting away" or to come to a conclusion. A decision is the selection of a course of action.

According to Felex M Lopez, "a decision represents a judgement; a final resolution of a conflict of needs, means or goals; and a commitment to action made in the face of uncertainty, complexity or even irrationality."

According to Philip Marvin, "decision-making may be viewed as the process by which individuals select a course of action from among alternatives to produce a desired result. It is a process made up of four continuous interrelated phases: explorative, speculative, evaluative and selective."

George Terry, "Decision-making is the selection based on some criteria from two or more possible alternatives."

In the words of Haynes and Massie, "A decision is a course of action which is consciously chosen for achieving a desired result".

Thus, decision-making is the process by which the decision-maker tries to jump over the obstacles placed between his current position and the desired future position.

5.2. CHARACTERISTICS OF DECISION MAKING

The essential characteristics of decision making are given below:

- It is a process of choosing a course of action from among the alternative courses of action.
- It is a human process involving to a great extent the application of intellectual abilities.
- It is the end process preceded by deliberation and reasoning.
- It is always related to the environment. A manager may take one decision in a particular set of circumstances and another in a different set of circumstances.
- It involves a time dimension and a time lag.
- It always has a purpose. Keeping this in view, there may just be a decision not to decide.
- It involves all actions like defining the problem and probing and analyzing the various alternatives which take place before a final choice is made.

5.3. IMPORTANCE OF DECISION MAKING

- ❖ **Implementation of managerial function:** Without decision making different managerial function such as planning, organizing, directing, controlling, staffing can't be conducted. In other words, when an employee does, he does the work through

decision making function. Therefore, we can say that decision is important element to implement the managerial function.

- ❖ **Pervasiveness of decision making:** The decision is made in all managerial activities and in all functions of the organization. It must be taken by all staff. Without decision making any kinds of function is not possible. So it is pervasive.
- ❖ **Evaluation of managerial performance:** Decisions can evaluate managerial performance. When decision is correct it is understood that the manager is qualified, able and efficient. When the decision is wrong, it is understood that the manager is disqualified. So decision making evaluate the managerial performance.
- ❖ **Helpful in planning and policies:** Any policy or plan is established through decision making. Without decision making, no plans and policies are performed. In the process of making plans, appropriate decisions must be made from so many alternatives. Therefore decision making is an important process which is helpful in planning.
- ❖ **Selecting the best alternatives:** Decision making is the process of selecting the best alternatives. It is necessary in every organization because there are many alternatives. So decision makers evaluate various advantages and disadvantages of every alternative and select the best alternative.
- ❖ **Successful; operation of business:** Every individual, departments and organization make the decisions. In this competitive world; organization can exist when the correct and appropriate decisions are made. Therefore correct decisions help in successful operation of business.

5.4. PRINCIPLES OF DECISION-MAKING

If certain principles are followed for decision making such multidimensional reactions can mostly be overcome. These principles are stated as follows:

1. **Subject matter of decision making:** decisional matters or problems may be divided into groups consisting of programmed and non programmed problems. Programmed problems, being of routine nature, require simple and easy solution. Decision arrived in such programmed problems has thus, a continuing effect. But in non programmed problems there is no continuing effect because they are non repetitive, non routine and novel. Every event in such problems requires individual attention and analysis and its decision is to be arrived at according to its special features and circumstances.
2. **Organizational structure:** the organizational structure, having an important bearing on decision making, should be readily understood. If the organizational structure is rigid and highly centralized, decision making authority will remain confined to the top management level. This may result in delayed and confused decision and create suspicion among the employees.
3. **Analysis of the objectives and policies:** proper analysis of the objectives and policies is needed for decision making. The clear definition of objectives and policies is the basis that guides the directions of decision making. Without this basis, decision making will be aimless and unproductive.
4. **Analytical study of the alternatives:** for decision making analytical study of all possible alternatives of a problem with their merits and demerits is essential. This is necessary to make out a correct selection of decision for among the alternatives.
5. **Proper communication:** effective decision making demands a machinery for proper communication of information to all responsibility centres in the organization. Unless this structure is built up, ignorance of decision or ill informed decision will result in misunderstanding and loose coordination.
6. **Sufficient time:** effective decision making requires sufficient time. It is a matter of common experience that it is usually helpful to think over various idea and possibilities of a problem for the purpose of identifying and evaluating it properly. But in no case a decision can be delayed for an indefinite period, rather it should be completed well in advance of the scheduled dates.
7. **Study of the impact of a decision:** decision is intended to be carried out for the realization of the objectives of the organization. A decision in any particular area may react adversely in other areas of the organization. As all business activities are inter related and require coordination, it is necessary that a study and analysis of the impact of any decision should precede its application.
8. **Participation of the decision maker:** the decision maker should not only be an observer while

others will perform as per his decision. He should also participate in completing the work for which decision was taken by him. This experience will help him in decision making in future. The principle of participation in work of the decision maker will enable him to understand whether the decision taken is practical and also guide him in forthcoming decisional matters.

9. **Flexibility of mind:** this is essential in decision making, because decisions cannot satisfy everybody. Rigid mental set up of the decision maker may upset the decisions. The flexible mental disposition of the decision maker enables him to change the decision and win over the co operation of all the diverse groups.
10. **Consideration of the chain of action:** there is a chain relationship in all the activities of any organization. Different activities are tied up in a chain sequence. Any decision to change a particular work brings change in other related works also. Similarly, decision making also proceeds following the chain of action in different activities. Therefore, before taking a decision one should consider the chain relationship among different activities.

5.5. Different Types of Decisions

- **Programmed and non programmed decisions:** Programmed decisions are those which are normally repetitive in nature and are taken as a routine job and responsibilities. These types of decisions are made by middle level management in accordance with some policies, rules and procedures. They have short term impact.

Non programmed decisions are none repetitively taken by top executives. They need to collect data and analyze then and forecast the strategic plans. A well managed organization often encourages all managers to delegate as many non programmed decision as possible.

Programmed decisions Vs Non programmed decisions

Well-structured	Poorly structured
Routine	New
Information available	Little information
Taken at lower levels	Taken at higher levels
Short time frame	Long time frame
Decision rules and set procedures used	Judgment and creativity used

- **Major and minor decisions:** Among different decisions some decisions are considerably more important than others and are prioritized. They are called major decisions. For example, replacement of man by machine, diversification of product etc. contrary to that, some of the remaining decisions are considerably less important than others and are not so prioritized. They are minor decisions. For example, store of raw materials etc.
- **Routine and strategic decisions:** Routine decisions are those decisions which are considered as tactical decisions. They are taken frequently to achieve high degree of efficiency in the organizational activities. For example, parking facilities, lighting and canteen etc. strategic decisions are those which are related to lowering the prices of products, changing the product etc. they take more fund and degree of partials.
- **Organizational and personal decision:** Organizational decision is taken by top executives. For official purpose. They affect the organizational activities directly. Authority is also delegated. Personal decisions are concerned to an employee. The executives whenever takes the decisions personally that is known as personal decisions.
- **Individual and group decisions:** When a single employee is involved in decision making it is called individual decision. They are taken by Sole proprietor when the problem is of routine nature. On the other hand when the decision is of group taken in a large organization where important and strategic decisions are taken then it is a group decision.
- **Policy and operating decisions:** Policy decisions are taken by top level management to change the

rules, procedures, organizational structure etc and they have a long term effect. Operational decisions are taken by low level management which have short term effect and which affect the day to day operation of the organization.

- **Long-term and short-term decisions:** Long-term decisions are taken for a very long period of time. Such decisions involve huge amount of investment and risk. While short-term decisions are off routine nature and involve a limited risk. Long-term decisions are generally taken by the higher authority while short-term decisions are taken by the lower level managers

5.6. STAGES IN THE DECISION-MAKING PROCESS

The following are the various phases in the decision-making process.

1. **Objectives/goals:** decisions have to be taken to achieve a particular objective/ goal of the organization. The manager has to understand first the specific objective of taking the decisions before diagnosing a problem.
2. **Problem diagnosis and analysis:** In any particular situation, in order to take a decision, the problem has to be diagnosed first, just like a doctor diagnosing a disease before prescribing a drug; a manager has to diagnose the real problem in the situation. For example, if there is a high rate of absenteeism in the organization, the management has to analyze the rate of absenteeism for different perspectives. Whether it is uniform throughout the year or in a particular period; of all cadres or only at the lower level what the reasons are for such absenteeism, etc. The problem has to be analyzed thoroughly. Thus, analysis of the problem is very important: if the problem is diagnosed, half of it is solved.
3. **Search for alternatives:** after diagnosis, the management has to search for alternative solutions. For example, for reducing absenteeism, the management has to announce some incentives/disincentive; take serious action; convince employees to attend work regularly. The manager has to consider the concept of limiting factor also. It means that the corporate culture, financial position, etc. have to be considered. He has to use several sources for identifying various alternatives: his past experience. Corporate practices and innovative ideas. In case of overcrowding the alternative solutions can be:
 - a. To do work study for measuring the work load
 - b. The queuing problem and waiting line model, to study the traffic density, lean periods, peak periods, arrival pattern and arrival rate of the patients in OPD.
 - c. Man power requirement and additional manpower deployment.
 - d. Strict appointment system.
 - e. Screening of cases and triage.
 - f. Strict timings of consultants for attending OPD.
 - g. Increasing the working hours of OPD
 - h. Increasing service points
 - i. Assigning works of clerical nature or less technical nature to the paramedical, nursing, clerical staff to relieve clinicians from non clinical burden.
4. **Evaluating alternatives:** The management has to evaluate the impact and implementation of all the alternatives. The tangible and intangible factors in implementing the decision must be studied. Sometimes, the qualitative and quantitative aspects also have to be considered in evaluating a decision.
5. **Choosing the best alternative:** From the available alternatives, the best alternative has to be selected for implementation. Usually, managers follow their approaches in choosing the best one. These are experience, experimentation and research and analysis.
 - a. Experience: Reliance on past experience is the basis of choosing an alternative. The experience is the best teacher.
 - b. Experimentation: one of the ways of choosing an alternative is select one and experiment with it.
 - c. Research and analysis: this is the process of developing a model simulating the problem. One of the methods is operations research.

6. **Action:** After choosing the best alternative, it is to be implemented by the managers. It requires organizational support and cooperation at all levels. The effectiveness of the decision depends upon the active cooperation of the staff.
7. **Result:** When the best alternative is implemented, its impact has to be examined. Managers have to take follow up action in the light of the feedback received from the results. The results are to be verified with the objectives of the organization. If there is any wrong decision, the reasons have to be analyzed and the necessary changes incorporated in taking decisions in future. This review helps a lot in taking the right decisions.

5.7. SUMMARY

The decisions are very crucial form in the management. In every organization decision making play a vital role. So that Decision-making is a mental process. It is a process of selecting one best alternative for doing a work. Thus, it is a particular course of action chosen by a decision maker as the most effective alternative for achieving his goals. As per the organizational views decision is an act of choice- wherein an executive forms a conclusion about what must be done in a given situation. Laterally, in this lesson concludes the decision making steps and various types of decision making are also disused in a brief manner.

5.8. KEYWORDS

- ❖ **Decision-making:** it may be viewed as the process by which individuals select a course of action from among alternatives to produce a desired result. It is a process made up of four continuous interrelated phases: explorative, speculative, evaluative and selective.
- ❖ **Evaluation of managerial performance:** Decisions can evaluate managerial performance. When decision is correct it is understood that the manager is qualified, able and efficient. When the decision is wrong, it is understood that the manager is disqualified. So decision making evaluate the managerial performance.
- ❖ **Subject matter of decision making:** decisional matters or problems may be divided into groups consisting of programmed and non programmed problems. Programmed problems, being of routine nature, require simple and easy solution. Decision arrived in such programmed problems has thus, a continuing effect. But in non programmed problems there is no continuing effect because they are non repetitive, non routine and

novel. Every event in such problems requires individual attention and analysis and its decision is to be arrived at according to its special features and circumstances.

- ❖ **Programmed and non programmed decisions:** Programmed decisions are those which are normally repetitive in nature and are taken as a routine job and responsibilities. These types of decisions are made by middle level management in accordance with some policies, rules and procedures. They have short term impact. Non programmed decisions are none repetitively taken by top executives. They need to collect data and analyze then and forecast the strategic plans. A well managed organization often encourages all managers to delegate as many non programmed decisions as possible.
- ❖ **Individual and group decisions:** When a single employee is involved in decision making it is called individual decision. They are taken by Sole proprietor when the problem is of routine nature. On the other hand when the decision is of group taken in a large organization where important and strategic decisions are taken it is a group decision.

5.9. SELF-ASSESSMENT QUESTIONS

1. Define Decision making? Write its features.
2. Critically examine the decision making process in organization?
3. Explain the different types of decision makings in management?

5.10 FURTHER READINGS

1. Hospital Management and Administration Principles and Practice Including Law, BV Subramanyam, CBS Publishers & Distribution Pvt Ltd.
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LESSON-6

MANAGEMENT BY OBJECTIVE (MBO)

OBJECTIVES:

- To understand the concept of Management by objectives
- To know the process of MBO
- To understand the various benefits and limitations of MBO

STRUCTURE:

- 6.1. **INTRODUCTION**
- 6.2. **FEATURES OF MBO**
- 6.3. **STEPS IN MBO PROCESS**
- 6.4. **BENEFITS OF MBO**
- 6.5. **WEAKNESS OF MBO**
- 6.6. **MAKING MBO EFFECTIVE**
- 6.7. **SUMMARY**
- 6.8. **KEYWORDS**
- 6.9. **SELF-ASSESSMENT QUESTIONS**
- 6.10. **FURTHER READINGS**

6.10 INTRODUCTION

We all know that good management is characterized usually by the accomplishment of desired objectives. Objectives are the goals or the end results towards which all management activities are directed. Objective is a term commonly used to indicate the end point of a management programme. Objective should be specific and set for different periods. They are the basic purpose of the enterprise. Well defined goals or clear objectives are essential for the smooth program and growth of any organization. Objectives may either major or minor, short term or long term, economic or social. Major objectives are the main purpose of the concern, and minor objectives are subordinate to the major objectives. The economic objectives may be to make more profit, sales, etc. the social objectives may be to serve the customers, employees etc.

MBO-Concept:

Management by Objectives or MBO is a technique which helps a manager to achieve his objectives in an efficient manner. MBO is a process whereby the superior and the managers of an organization jointly identify its common goals, define each individual's major area of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.

George Odiorne has explained the concept of MBO as follows:

The system of management by objectives can be described as a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members. Also known as Goal Management, MBO

is based upon the assumption that involvement leads to commitment and when an employee participates in goal setting as well as setting standards for measurements of performance towards that goal, then the employee will be motivated to perform better and in a manner that directly contributes to the achievement of organizational objectives.

The concept of MBO is very rich in terms of managerial implications. Managers have a responsibility to assign or set goals in such a manner so as to have the maximum motivational potential. The goals must be tailored to the individual needs and skills, since individuals differ so much in their concept of goals. This would create an optimal performance environment for the employees.

MEANING AND DEFINITION OF MBO:

Management by Objectives (MBO) is a process of agreeing upon objectives within an organization so that management and employees agree to the objectives and understand what they are in the organization. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities. The term "management by objectives" was first popularized by Peter Drucker in his 1954 book 'The Practice of Management'. The essence of MBO is participative goal setting, choosing course of actions and decision making.

According to Drucker managers should "avoid the activity trap", get so involved in their day to day activities that they forget their main purpose or objective. Instead of just a few top managers, all managers should:

- Participate in the strategic planning process, in order to improve the implement ability of the plan, and
- Implement a range of performance systems, designed to help the organization stay on the right track.

According to Koontz & Weihrich: Management by objectives (MBO) is defined as a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed towards the effective and efficient achievement of organizational and individual objective.

According to George Odiorne "MBO is a process whereby the superiors and the subordinate managers of an enterprise jointly identify its common goals, define each individual major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members."

According to Prof. Reddin "The establishment of effectiveness areas and effectiveness standards for managerial positions and the periodic conversion of all these into measurable time bound objectives linked vertically and horizontally with future planning."

6.2. FEATURES OF MBO:

- ❖ MBO is concerned with goal setting and planning for individual managers and their units.
- ❖ The essence of MBO is a process of joint goal setting between a supervisor and a subordinate.
- ❖ MBO is not merely a technique but a philosophy to management. A technique is applicable only in specified areas but a philosophy or approach guides and influences every aspect of management.
- ❖ Managers work with their subordinates to establish the performance goals that are consistent with their higher organizational objectives.
- ❖ In this approach various objectives of the organization and of individuals are collectively decided by superiors and subordinates. These objectives become the targets which are to be achieved by various persons in the organization.
- ❖ MBO focuses attention on appropriate goals and plans.

- ❖ MBO facilitates control through the periodic development and subsequent evaluation of individual goals and plans.
- ❖ MBO provides for a regular review of performance. This review is normally held once in a year. The review is future oriented and provides a basis for planning and corrective actions.
- ❖ The objectives in MBO provide guidelines for appropriate system and procedures. These objectives also become a basis of reward and punishment in the organization.

6.3. STEPS IN MBO PROCESS:

The following steps are necessary in management by objectives:

- i. **Formulating organizational objectives:** The first step in MBO programme is to determine main objectives of the business. The major objectives of the business are survival and expansion. Different departments set different objectives. The objectives from top level to individual level are aimed at achieving the main business objectives.
- ii. **Setting up subordinate goals:** The subordinate goals are set at department level, section level, unit or individual level, etc. The subordinate objective will assign specific responsibilities to persons at various levels. Everybody in the organization should know what is expected of him? The subordinate goals, in no way should be inconsistent with the overall objectives of the business.
- iii. **Periodic meetings:** The ultimate aim of various objectives, may be at any levels, should be to achieve overall business objectives. There should be periodic meetings to know the views of subordinate staff. If circumstances have changed and objectives need any modification, it should also be done to make the objectives realistic.
- iv. **Performance appraisal:** Evaluation of performance at the end of a period is essential to assess the work. The superior should evaluate the work of the subordinates and find out deviations, if any. The process of appraisal will enable.

Some of the elements in the MBO process can be described as follows:

- a. **Central goal settings:** The first basic phase in the MBO process is the defining and clarification of organizational objectives. These are set by the central management and usually in consultation with the other managers. These objectives should be specific and realistic. This process gives the group managers and the top managers an opportunity to be jointly involved. Once these goals are clearly established, they should be made known to all the members of the organization and be clearly understood by them.

- b. **Manager-subordinate Involvement:** After the organization goals have been set and defined, the subordinates' work with the managers in setting their individual goals relative to organizational goals. Such joint consultation is important because people become highly motivated in achieving objectives that were set by them to start with. The goals of the subordinates are specific and short range and primarily indicate what the subordinate's unit is capable of achieving in a specified period of time. The subordinate must set goals in consultation with the individuals who comprise his unit. In this manner, everyone gets involved in the goal setting.
- c. **Matching, goals and resources:** The objectives in themselves do not mean anything unless we have resources and means to achieve those objectives accordingly, management must make sure that the subordinates are provided with necessary tools and materials to effectively achieve these goals. If the goals are precisely set, then the resources requirements can also be precisely measured thus making the resource allocation easier. However, just as in goal setting, the allocation of resources should also be done in consultation with the subordinates.
- d. **Freedom of implementation:** The manager-subordinate task force should have adequate freedom in deciding on the utilization of resources and the means of achieving the objectives. As long as these means are within the larger framework of organizational policies, there should be minimum interference by superiors.
- e. **Review and appraisal of performance:** There should be periodic review of progress between manager and the subordinates. These reviews would determine if the individual is making satisfactory progress. They will also reveal if any unanticipated problems have developed. They also help the subordinates understand the process of MBO better. They also improve the morale of subordinates since the manager is showing active interest in the subordinate's work and progress. These periodic reviews are necessary since priorities and conditions are constantly changing and these must be periodically monitored.

6.4. BENEFITS OF MBO:

MBO helps in implementing goal oriented management. It can be applied in various areas of organization such as performance appraisal, organizational development, long range planning, and integration of individual and organizational objectives and so on.

- ❖ **Motivation:** Involving employees in the whole process of goal setting and increasing employee empowerment increases employee job satisfaction and commitment.
- ❖ **Better communication and Coordination:** Frequent reviews and interactions between superiors and subordinates helps to maintain harmonious relationships within the enterprise and also solve many problems faced during the period.
- ❖ **Better managing:** MBO results in improved and better managing. Better managing requires setting goals for each and every activity and individual and ensuring that these are achieved. MBO not only helps in setting objectives but also ensures balancing of objectives and resources. Managers will devise ways and means for achieving objectives. The objectives also act as controls and performance standards. So MBO is helpful in improving management.
- ❖ **Clarifying organization:** MBO helps in clarifying organizational roles and structures. Responsibility and authority are assigned as per the requirements of the tasks assigned. There is no use of fixing objectives without delegating requisite authority. The positions should be built around the key results expected of people occupying them.
- ❖ **Encouraging personal commitment:** The main benefit of MBO is that it encourages personnel to commit themselves for the achievement of specified objectives. They follow the instructions given by the superiors and undertake their work as a routine matter. In MBO the purpose of every person is clearly defined with his or her own consent. He will feel committed to reach the goals decided with his consent. A feeling of commitment brings enthusiasm and helps in reaching the goals.
- ❖ **Developing controls:** MBO mechanism helps in devising effective controls. The need for setting controls is the setting of standards and then finding or deviations if any. In MBO, verifiable goals are set and the actual performance will help in finding out the deficiencies in results. Every person is clear about

what is expected from him and these standards act as clear cut controls. So controls can easily be devised when MBO is followed.

6.5. WEAKNESS OF MBO:

Despite of its acceptability in recent times, MBO technique has not yet acquired a final shape. This system suffers from a number of weaknesses which are discussed as under:

- **Failure to teach MBO philosophy:** The success of MBO will depend upon its proper understanding by managers. When managers are clear about this concept only then they can explain to subordinates how it works, why it is being done, what will be the expected results, how it will benefit participants etc. This philosophy is based on self direction and self control and aims to make managers professionals.
- **Failure to give guidelines to goal setters:** If the goal setters are not given proper guidelines for deciding their objectives then MBO will not be a success. The managers who will guide in goal setting should themselves understand the major policies of the company and the role to be played by their activity.
- **Difficulty in setting goals:** The main emphasis in MBO technique is on setting objectives. The setting of objectives is not a simple thing. It requires lot of information for arriving at the conclusions. Some objectives may not be verifiable; precaution should be taken in defining such objectives. The objectives should not set casually otherwise MBO may prove liability for the business.
- **Emphasis on short term objectives:** In most of the MBO programs there is a tendency to set short-term objectives. Managers are inclined to set goals for a year or less and their thrust is to give undue importance to short term goals at the cost of long term goals. There may be a possibility that short term and long term objectives may be incompatible because of specific problems.
- **Danger on inflexibility:** There is a tendency to stick to the objectives even if there is need for modification. Normally objectives will cease to be meaningful if they are often changed; it will also be foolish to strive for goals which have become obsolete due to revised corporate objectives or modified policies.

Some of the problems and limitations associated with MBO are as follows:

- In the classical structure of our organizations, the authority flows from top to bottom. This creates rigidity and discipline, which generally lead to better performance. Hence the top management is usually reluctant to support the process of MBO in which their subordinates would take equal part. Accordingly, MBO can only succeed if it has the complete support of top management.
- Subordinates may dislike MBO. They may be under pressure to get along with the management when setting goals and objectives and these may be set unrealistically high or far too rigid. This may lower their morale and they may become suspicious about the philosophy behind MBO. They may seriously believe that MBO is just another of the management's trick to make the subordinates work harder and become more dedicated and involved.
- The emphasis in MBO system is on quantifying the goals and objectives. It does not leave any ground for subjective goals. Some areas are difficult to quantify and more difficult to evaluate. Thus, MBO rewards productivity at the cost of creativity.

- There is considerable paperwork involved and it takes too much of the manager's time. Too many meetings and too many reports add to the manager's responsibility and burden. Some managers may resist the program because of this increased paperwork.
- The emphasis is more on short-term goals. Since goals are mostly quantitative in nature, it is difficult to do long range planning. This is so because all the variables affecting the process of planning cannot be accurately forecast over the long run due to continuously changing socio- economic and technical environment. This difficulty affects the stability of goals.
- Most managers may not be sufficiently skilled in interpersonal interaction such as coaching and counseling which is extensively required.
- The integration of the MBO system with other systems such as forecasting and budgeting is very poor. This makes the overall functioning of all systems very difficult.
- Group goal achievement is more difficult. When goals of one department depend upon the goals of another department, cohesion is more difficult to obtain. For example, the production department cannot produce a set quota if it is not sufficiently supplied with raw materials and personnel. Similarly sales department cannot meet its obligation in sales unless production department keeps pace with sales.
- It takes a lot of time, perhaps three to five years, to implement the MBO program properly and fully and some research studies have shown that MBO programs can lose their impact and potency as a motivating force over time.

6.6. Making MBO effective:

1. **Support from all:** In order that MBO succeeds, it should get support and co-operation from the management. MBO must be tailored to the executive's style of managing. The subordinates should also clearly understand that MBO is the policy of the organization and they have to offer cooperation to make it successful.
2. **Acceptance of MBO programme by managers:** In order to make MBO programme successful, it is fundamentally important that the managers themselves must mentally accept it as a good or promising programme. If managers are forced to accept MBO programme, their involvement will remain superfluous at every stage. They would mostly accept the lines of action initiated by the managers.
3. **Training of managers:** Before the introduction of MBO programme, the managers should be given adequate training in MBO philosophy. It is important to arrange practice sessions where performance objectives are evaluated and deviation are checked. The managers and subordinates are taught to set realistic goals, because they are going to be held responsible for the results.
4. **Organizational commitment:** MBO should not be used as a decorative piece. It should be based on active support, involvement and commitment of managers. MBO presents a challenging task to managers. They must shift their capabilities from planning for work to planning for accomplishment of specific goals.
5. **Allocation of adequate time and resources:** A well-conceived MBO programme requires three to five years of operation before it provides fruitful results. Managers and subordinates should be so oriented that they do not look forward to MBO for instant solutions. Proper time and resources should be allocated and persons are properly trained in the philosophy of MBO.
6. **Provision of uninterrupted information feedback:** Superiors and subordinates should have regular information available to them as to how well subordinate's goal performance is progressing. Superiors who compliment and encourage subordinates with pay rise and promotions provide enough motivation for peak performance.

6.7 SUMMARY

In this lesson highlighted the MBO importance and its process. Effective management is one that has management by objectives. It is popularly known as MBO. Originally, MBO was proposed by Peter

Drucker and later it was popularized. It is a concept of managing for minimizing external controls and maximizing internal motivation through joint goal setting by the superior and his subordinates and self-control on the part of all managers. And also in this lesson focus the MBO how make it very effective manner.

6.8 KEYWORDS

- ❖ **Management by Objectives (MBO):** It is a process of agreeing upon objectives within an organization so that management and employees agree to the objectives and understand what they are in the organization. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.
- ❖ **MBO-Concept:** Management by Objectives or MBO is a technique which helps a manager to achieve his objectives in an efficient manner. MBO is a process whereby the superior and the managers of an organization jointly identify its common goals, define each individual's major area of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.
- ❖ **Formulating organizational objectives:** The first step in MBO programme is to determine main objectives of the business. The major objectives of the business are survival and expansion. Different departments set different objectives. The objectives from top level to individual level are aimed at achieving the main business objectives.
- ❖ **Better managing:** MBO results in improved and better managing. Better managing requires setting goals for each and every activity and individual and ensuring that these are achieved. MBO not only helps in setting objectives but also ensures balancing of objectives and resources. Managers will devise ways and means for achieving objectives. The objectives also act as controls and performance standards. So MBO is helpful in improving management.

6.9 SELF-ASSESSMENT QUESTIONS

1. Define MBO. Explain the concept of MBO.
2. What is meant by MBO? State its process and advantages.
3. Elaborate how MBO will be effective in management>
4. Give some of the weakness of MBO.

6.10 FURTHER READINGS

- Louis A. Allen, Management and Organization, McGraw-Hill Kogakusha, Ltd.
- Etzioni A, "Modern Organizations", Prentice Hall of India, New Delhi, 1964.
- Heinz Weirich and Harold Koontz, "Management", Mc Graw Hill, New York, 1964.
- Laurie J. Mullins, "Management and Organizational Behaviour", Pitman.

LESSON-7 ORGANIZING

OBJECTIVES:

- To understand organization as a process
- To distinguish between formal and informal organization
- To understand the need and types of Departmentation
- To know the sources of conflict and the need for cooperation between line and staff

STRUCTURE:

- 7.1 INTRODUCTION
- 7.2 NATURE OF ORGANIZATION
- 7.3 PURPOSE OF ORGANIZATION
- 7.4 ORGANIZATION PROCESS
- 7.5 FORMAL AND INFORMAL ORGANIZATIONS
- 7.6 DEPARTMENTATION
- 7.7 LINE AND STAFF
- 7.8 SUMMARY
- 7.9 KEYWORDS
- 7.10 SELF-ASSESSMENT QUESTIONS
- 7.11 FURTHER READINGS

7.1 INTRODUCTION

Organization is a mechanism or structure that enables living things to work effectively together. The evolution of all forms of life and of human society demonstrates the need for organization. Organization in common parlance is used in the sense of an enterprise or a business unit. Organization is the task of mobilizing resources. It is a structure involving a large number of people engaging themselves in a multiplicity of tasks, a systematic and rational relationship with authority and responsibility between individuals and groups.

MEANING AND DEFINITION:

The function of the manager in designing and maintaining the systems of roles is called organizing.

According to Licus A. Allen "organization is a mechanism or structure that enables living things to work effectively together. The evolution of all forms of life and of human society demonstrates the need for organization"

According to Olver Sheldon "organization is the process of combining the work which individuals or groups have to perform with facilities necessary for its execution that the duties so performed provide the best channels for efficient, systematic, positive and coordinated application of available effort".

According to Barnard "organization is a system of consciously coordinated activities or forces of two or more persons".

According to Koontz and O' Donnell "organization is the establishment of authority relationships with provision for co-ordination between them, both vertically and horizontally in the enterprise structure."

According to George Terry "Organizing is the establishing of effective authority relationships among selected work, persons, and work places in order for the group to work together efficiently."

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

According to Joseph L Massie "organization is the structure and process by which a cooperative group of human beings allocates its tasks among its members, identifies relationships and integrates its activities towards common objectives".

A study of the above definitions makes it clear that organization is concerned with

- **Identification of the activities:** The activities to be performed in an organization, like in hospitals, the patient may come for consultation, before consultation also he has to go through the process of registration, then going to consultant's chamber. The consultant after history taking, examination, may send the patient to injection room, the patient might require minor surgical procedure; he may be asked to go to minor OT. The patient may be prescribed some drugs and the patient is directed to go pharmacy and the process goes like that in the hospital. The activities identified may be:
 - Registration of patients
 - Consultation with consultants
 - Clinical examination of the case
 - Investigations
 - Minor surgical procedures
- ❖ Dispensing of drugs etc.
 - **Grouping the similar activities:** Like in hospitals; there are several activities and some of the activities though appear of different nature but have some kind of similarity and these activities can be grouped into one category for conveniences. Say for example patient goes to hospital for outdoor consultation or he may go for admission and indoor treatment for certain specialized investigations, operations, emergency treatment etc. Various activities of similar nature can be grouped together into one category, what we many call as department. In hospitals we have outpatient department (OPD), inpatient department (IPD), intensive care unit (ICU), operation theaters (OT), Central Sterile and Supply department (CSSD) etc.
 - Dividing these activities into different departments, divisions, sections and between individuals.
 - **Providing authority, delegation, coordination and communication.** The management board or the governing board will assign them authority to function in the organization. Unless the requisite authority is vested with the heads of the department, the departments will not be able to plan and control the activities within the group.
 - **Providing physical facilities like building, equipment for the smooth and successful performance of the task and**
 - **Establishing clear structural and relationships among individual and groups.**

7.2 NATURE OF ORGANIZATION

- a. **Organising is the basic function of management:** Like planning, organizing is the basic function of management. Organizing is done in relation to all the managerial functions namely planning, staffing, directing and controlling and all the areas of business, namely, purchasing, production, marketing, personnel, etc.
- b. **Organisation is always related to objectives:** Whether it is organizing of an entire enterprise or a part of it, it is influenced by the broad objectives of the organization. The operations are divided in separate groups and authority and responsibility relationships are determined in order to achieve the broad objectives of an enterprise.
- c. **Organization as an entity:** Organization as an entity refers to an enterprise as a whole, like company, corporation, partnership firm or any other form of group activity. In this form, organization is defined as a collectivity of people that have been established for the pursuit of relatively specific objectives, more or less on a continuous basis.
- d. **Organization as a group of people:** An organization consists of formal and informal groups in its set-up. Formal groups are set up by the top level authority having specific authority-responsibility relationships, while informal groups develop within the formal groups in order to satisfy personal and social needs of the people.
- e. **Organization as a process:** Organizing is not one step function. Managers are continuously engaged in organizing and reorganizing. Organization as a process means dividing and sub-dividing the entire functions of the enterprise into different units and assigning every function to the right and the most suited person.
- f. **Organization as a structure:** Some writers on management have explained about organization is merely a structure of relationships between various positions in the organization. This is a classical or a static concept of an organisation.

7.3 PURPOSE OF ORGANIZING

The following may be, generally speaking, the purpose (or objectives) of organizing business:

- Effective management of the enterprise
- Maximum production at minimum cost
- Sustained growth and diversification
- Cooperation of employees
- Discharging social responsibility

7.3.1 IMPORTANCE OF ORGANIZATION:

1. **Organization promotes specialisation and division of labour:**
Right man at the right job is the fundamental principle of every organization. A good organization brings harmony in the efforts of employees and working conditions. Division of work and specialisation add to the total productivity of the enterprise.
2. **It avoids omissions, overlapping and duplication of efforts:**
The process of organization clearly identifies total volume of work in the organization, which is then grouped into related activities under separate department. As a result, no important work losses sight and at the same time it avoids overlapping and duplication of work.
3. **It clarifies authority-responsibility relationships:**
The process of organizing clarifies authority-responsibility relationships among managers and subordinates, both horizontally and vertically. This not only helps in the smooth functioning of an organization but also promotes good and healthy human relations within the organization.

4. It facilitates staffing:

A well structured organization set-up also facilitates efficient staffing. It clearly defines various organizational positions, managerial as well as operational, in the organization. This helps in determining not only the number of positions to be filled in but also the skills and abilities required for each position.

5. It facilitates coordination:

A well-designed and clearly defined organizational structure welds together the functions and activities of various individuals and departments in order to accomplish the predetermined enterprise goals. Different departments perform their respective functions in a closely related manner and not as rivals.

6. It establishes communication links:

Communication, among the personnel and managers, is not only the basis of the operational life of an enterprise but it is also instrumental in fostering good human relations. An organization structure helps to establish various channels of communication through scalar chain and other links.

7. It increases efficiency of management:

A well structured organization facilitates the maximum utilization of workers' abilities and productive capacities of material resources of the organization. It also avoids confusions, delays and duplication of work and thereby increases efficiency and motivates employees to put in their best.

8. It facilitates management by exception:

Management by exception is a philosophy that enables the top management to concentrate only on exceptional and crucial matters, leaving routine tasks to subordinates. A sound organization structure can gradually initiate management by exception, whereby the top level managers devote more time to planning activities.

7.3.2 PRINCIPLES OF ORGANIZING:

- 1. Principle of delegation of authority:** Principle of delegation means each managerial position should be provided with adequate authority so as to enable the holder of the position to cope successfully with the requirements of the job.
- 2. Principle of co-ordination:** Coordination, being essence of management, is the essence of organization too. This principle advocates coordination of various individuals, departments and groups in the organization, towards the achievement of organizational goals.
- 3. Principle of continuity:** Organization is a continuous process of changing and adapting to the changes in business environment. Various factors surrounding business changes rapidly and business units must bring about necessary changes in their organizational structure to absorb these changes.
- 4. Principle of definition:** A sound organization must define the role of each individual and department clearly, in terms of work contents and their nature and scope, authority, degree of responsibility and accountability and relationships of job with others. This avoids duplication and overlapping.
- 5. Principle of explanation:** In an organizational set-up, roles and duties, authorities and responsibilities associated with such roles must be explained clearly to each individual so that the person accepting the authority will be aware of degree of liabilities associated with the job.
- 6. Principle of equilibrium balance:** During the process of growth, some departments get overloaded with work and responsibilities, giving rise to a number of managerial problems. Hence, a fair balance between the vertical and horizontal dimensions of organizations should be ensured, especially during growth phase.
- 7. Principle of flexibility:** Social, economic, political, technological, national and international changes affect structure of the organization. Therefore, there has to be considerable scope for flexibility in the organizational structure to adjust and adapt to such changes in the business environment.
- 8. Principle of unity of objectives:** The objectives of different departments and officials in an organization may be different in nature and character. But they are not conflicting; rather they are supportive and are directed towards the broad organizational objectives.
- 9. Principle of responsibility:** A sound organization set-up must define and spell out duties, responsibilities, authority and organizational relationship, clearly and specifically so that any deviation or failure in the organization can be located effectively.

10. **Principle of specialisation:** It means efficient break-up of organizational activities into various departments according to their qualifications and skills. The purpose is to fix the right man on the right job and avoid wastage of time, material and resources.
11. **Principle of span of control:** Span of control means number of workers that an executive can handle effectively. For effective supervision and control, some management writers have recommended five to eight subordinates under one superior.
12. **Principle of scalar chain:** Scalar chain is sometimes also known as 'Chain of command' or 'Line of Authority'. The line of authority in an enterprise running right from top to bottom must be clearly defined for establishing a clear line of command.
13. **Principle of simplicity and homogeneity:** A principle of simplicity and homogeneity requires that the management should, as far as possible, try to design a simple structure. Simplicity enables the managerial staff to maintain quality and homogeneity.
14. **Principle of unity of command:** The principle states that an employee should receive orders and instructions from a single superior. If two superiors exercise their authority over the same person, it causes uneasiness and disorder and results in confusion and conflicts.
15. **Principle of unity of direction:** For the accomplishment of group of activities having the same objectives, there should be one head and one plan. Well defined objectives in quantitative terms ensure unity of direction and facilitate coordination in actions of different individuals and departments.
16. **Principle of uniformity:** This is an internal principle of departmentation. According to this principle, the activities or functions assigned to any department should be uniform or homogenous in nature. If same department is performing numerous functions, there would be confusion and conflict.

7.3.3 SOUND ORGANIZATION BRINGS ABOUT THE FOLLOWING ADVANTAGES:

- ❖ Facilitates attainment of the objectives of the enterprise.
- ❖ Facilitates optimum use of resources and new technological development.
- ❖ Facilitates growth and diversification.
- ❖ Stimulates creativity and innovation.
- ❖ Facilitates effective communication.
- ❖ Encourages better relations between the labour and the management.
- ❖ Increase employee satisfaction.

7.4 ORGANIZATIONAL PROCESS

Organization as a process means dividing and sub-dividing the functions of an enterprise into different units and assigning each function to the right and the most suited person. The process of organizing involves the following steps:

- ❖ **Determination of objectives:** The first step in the process of organizing is to determine the objectives for which the organizational framework has been set up. When the objectives are set and communicated, the people who are assigned a particular work come to know the purpose for which the organization has been created.
- ❖ **Identification of work:** The second step in the process of organizing is to identify the total work to be performed in order to attain organizational and individual objectives. It is important to identify total work in order to locate the authority and responsibility relationship and to avoid duplication, overlapping and wastage of efforts.
- ❖ **Grouping of activities:** Once the total activities are determined, it is necessary to put together related activities in a group. This is known as departmentation. A very popular method of departmentation is to group activities on the basis for functions like purchase, production, finance, personnel, marketing, research, etc.
- ❖ **Creation of managership:** Once the process of departmentation is over, the next step is to entrust responsibility for the functioning of each department to a distinct manager, who is specialized in his respective field. Each manager is responsible for directing, guiding, motivating and

coordinating the effort of individuals working under him.

- ❖ **Division of work within the departmental set-up:** In order to achieve organizational goals, jobs are first assigned to various management or departmental heads, who in turn distribute them among their subordinates. Each job is entrusted to a person who is best suited for its execution. This process refers to as human organization.
- ❖ **Arrangement of physical facilities:** Each department and individual in the department need certain basic physical facilities such as raw materials, machines, equipments, tools, technology and other inputs, for the proper execution of the assigned task. This process of arranging and providing physical facilities to various departments refers to as material organization.
- ❖ **Developing relations:** In order to enable departments and personnel therein to perform their assigned task efficiently, it is necessary to define and establish clear authority-responsibility relationships in the organization, both horizontally and vertically. This avoids duplication and leads to unity of command and direction.
- ❖ **Provision of a channel of communication:** While performing their functions, it becomes necessary for managers to communicate with one another and with their superiors and subordinates. Therefore, it is necessary to devise a free and efficient system of communication, both upward and downward, within the organizational framework.
- ❖ **Co-ordination of various activities:** Co-ordination is the essence of management. Various activities of the organization must be linked together, i.e., co-ordinated properly. Co-ordination is essential for the higher level of performance. All activities in the organization should be directed towards the accomplishment of organizational objectives.
- ❖ **Control and corrective action:** Organization system should be devised in such a manner that it should provide for an in-built control and reporting system. Such an effective control system helps in timely location of deviations and taking corrective actions. This is also necessary for identifying new developments and bringing about changes in the organizational setup.

7.5 FORMAL AND INFORMAL ORGANIZATIONS

An organization may be formal or informal. In most organizations, formal groups will function as it is essential to execute specific tasks of the concerned formal organization. The formal organization refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management. This type of organization is built by the management to realize objectives of an enterprise and is bound by rules, systems and procedures. Everybody is assigned a certain responsibility for the performance of the given task and given the required amount of authority for carrying it out. Informal organization, which does not appear on the organization chart, supplements the formal organization in achieving organizational goals effectively and efficiently. The working of informal groups and leaders is not as simple as it may appear to be.

Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organization and to use them for achieving organizational objectives. In this form instruction, responsibility, authority, accountability, lines of command, and positions and authority are clearly defined and declared. Each person is aware of his duties and authority. Every subordinate is expected to obey his supervisor in the formal chain of command. It is designed after careful identification, classification and assignment of business activities.

8.1.1 FORMAL ORGANIZATION:

A formal organization according to **Keith Davis** "is a pinnacle of man's achievement in a disorganized society. It is man's orderly, conscious, intelligent creation for human benefits. A formal organization is a system of well defined authority positions and responsibility centers."

Chester I Bernard defines formal organization as - "a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well defined jobs, each bearing a

definite measure of authority, responsibility and accountability." Chester Barnard states that a formal organization comes into existence when persons are:

- ❖ Willing to communicate with one another
- ❖ Willing to act and
- ❖ Share a common purpose.

According to that the formal organization is built around four key pillars. They are:

1. Division of labour
2. Scalar and functional processes
3. Structure, and
4. Span of control

Characteristic of Formal Organization

- Formal organization structure is laid down by the top management.
- It prescribes the relationships amongst the people working in the organization and to work together for accomplishing the common objectives of the organization.
- In a formal organization, individuals are fitted into jobs and positions and work as per the managerial decisions. Thus, the formal relations in the organization arise from the pattern of responsibilities that are created by the management.
- A formal organization is bound by rules, regulations and procedures.
- In a formal organization, the position, authority, responsibility and accountability of each level are clearly defined.
- Organization structure is based on division of labour and specialization to achieve efficiency in operations.
- A formal organization is deliberately impersonal. The organization does not take into consideration the sentiments of organizational members.
- The authority and responsibility relationships created by the organization structure are to be honored by everyone.
- In a formal organization, coordination proceeds according to the prescribed pattern.

Benefits of Formal Organization

- ❖ The formal organization structure concentrates on the jobs to be performed. It, therefore, makes everybody responsible for a given task.
- ❖ A formal organization is bound by rules, regulations and procedures. It thus ensures law and order in the organization.
- ❖ The organization structure enables the people of the organisation to work together for accomplishing the common objectives of the enterprise.

Criticisms of Formal Organization

- It does not take into consideration the sentiments of organizational individual or group members.
- It does not consider the goals of the personnel's. It is designed to achieve the goals of the organization only.
- The formal organization is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult in sometimes.

8.1.2 INFORMAL ORGANIZATION

Informal organization refers to the activities of people, in particular to their actions in terms of needs, emotions and attitudes. An informal organization is not a planned one. It is created spontaneously. Authority is generally based on personal acceptance. All the inadequacies of a formal organization require an office to function, but an informal organization functions through people. A formal organization is rigid, definite and has a written constitution, but an informal organization is flexible and has no such

fixed, rigid, written constitution. A formal organization is created by the top management; an informal organization comes up on its own. Keith Davis states that work groups are important as they provide various benefits. Some of them are as follows.

- Informal work groups blend with the formal organization to make a workable system for getting work done.
- Informal work groups lighten the work load for the formal manager and fill in some of the gaps in the manager's abilities.
- Informal work groups provide satisfaction and stability to the organization.
- They provide a very effective channel of communication within the organization.
- Managers will be more careful and effective with the informal work groups.

Characteristics of Informal Organization

- Informal organization is not established by any formal authority. It is unplanned and arises spontaneously.
- Informal organizations reflect human relationships. It arises from the personal and social relations amongst the people working in the organization.
- Formation of informal organizations is a natural process. It is not based on any rules, regulations and procedures.
- The inter relations amongst the people in an informal organization cannot be shown in an organization chart.
- In the case of informal organization, the people cut across formal channels of communications and communicate amongst themselves.
- The membership of informal organizations is voluntary. It arises spontaneously and not by deliberate or conscious efforts.
- Membership of informal groups can be overlapping as a person may be member of a number of informal groups.
- Informal organizations are based on common taste, problem, language, religion, culture, etc. It is influenced by the personal attitudes, emotions, whims, likes and dislikes etc. of the people in the organization.

Benefits of Informal Organization

- It provides social satisfaction to group members.
- An informal organization has a powerful influence on productivity and job satisfaction.
- The informal leader lightens the burden of the formal manager and tries to fill in the gaps in the manager's ability.
- It helps the group members to attain specific personal objectives.
- It gives psychological satisfaction to the members.

Management can neither establish nor abolish an informal organization. But any sensible management will try to live with an informal organization and can effectively develop its influence on such an organization for its advantage. Generally, where an informal organization is strong and effective, it can develop an additional channel of communication, in the form of rumour or hearsay, known as grapevine. A grapevine is an informal system of communication sending confidential or important information through person to person talk or gossip. It serves as an agency for social control of human behaviour.

8.2 DEPARTMENTATION

Organization involves dividing and grouping of activities to be done in an enterprise. Division of work involves the identification of activities which are to be done for the achievement of organizational goals. Departmentation is concerned with grouping the various activities into separate administrative units. It implies grouping activities and

employees into departments. Departmentation may thus be defined as the process of grouping activities into units with a view to ensuring effective management. Growth of the enterprise as well as the principle of specialization is the genesis of departmentation.

Meaning and definition:

Departmentation is the process of grouping various activities into separate units of departments. A department is a distinct section of the business establishment concerned with a particular group of business activities of like nature. The actual number of departments in which a business house can be divided depends upon the size of establishment and its nature. A big business enterprise will usually, have more departments as compared to a small one.

According to **Koontz and O'Donnell** define a department as a distinct area, division, or branch of an enterprise over which a manager has authority for the performance of specified activities. So departmentation is the simple process of dividing or grouping activities into units for purposes of administration.

Taylor states that the work of every person in the organization should be confined to the performance of a single, leading function. The logical conclusion of this statement is that every function has to be performed by a single specified group which can be called a department.

According to **Allen**, "Departmentation is a means of dividing a large and monolithic functional organization into smaller, flexible, administrative units."

In the words of **Pearce and Robinson**, "Departmentalization is the grouping of jobs, process and resources into logical units to perform some organizational goals."

According to **Terry and Franklin**, "Departmentalization is the clustering of individuals into units and of units into departments and larger units in order to facilitate achieving organizational goals".

In terms of the level at which it is done the process of departmentation may be divided into the following three stages

- ❖ Primary departmentation- initial break up of functions into basic activities.
- ❖ Intermediate departmentation-creating departments in the middle levels of the organization
- 8.2.1 Ultimate departmentation- dividing activities into separate units at the lower levels

DEPARTMENTATION PROCESS:

The various steps involved in departmentation are:

- ❖ To identify task or duties
- ❖ To analyse details of each task
- ❖ To describe the functions or to group similar activities
- ❖ To entrust the grouped activities to departmental heads and
- ❖ To define the authority and responsibility of departmental heads

8.2.2 ADVANTAGES OF DEPARTMENTATION:

It is an established fact that there is a limitation on the number of personnel an enterprise or a supervisor can directly control. This limitation of control restricts the size of the enterprise unless it divides and groups its activities into departments. Department's framework for an organization and enables it to expand indefinitely.

27 The advantages of departmentation can be summed up as:

1. **Specialization:** departmentation automatically provides the benefit of division of labour and specialization. It increases the efficiency and performance level of the organization. All the specialized skills and individual talents can be fully utilized by creating specialization through departmentation.
2. **Determining responsibility:** departmental heads should be free to take decisions for the smooth and effective performance of their units. At the same time, responsibility will also have to be fixed for

their performance.

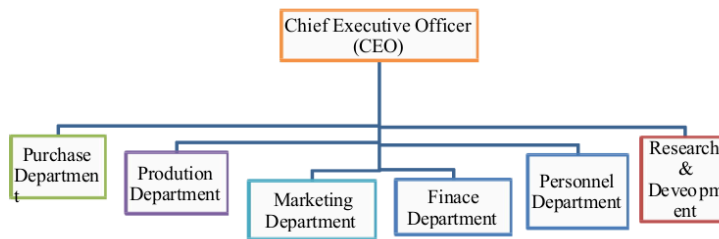
3. **Coordination:** the departmentation process ensures coordination among different units.
4. **Skills and talents can be developed:** individual skills and talents can be developed to the fullest possible level in the departmental system of work distribution.

8.2.3 BASIS OR METHODS OF DEPARTMENTATION:

The activities of an organization can be grouped into departments on any of the following bases:

1. Functional departmentation:

This is the most popular basis of departmentation. It refers to grouping the activities of an enterprise on the basis of functions such as production, sales, purchase, finance, personnel etc. The actual number of departments in which an enterprise can be divided depends upon the size of establishment and its nature. With the growth in the size of the business, more departments and sub-departments may be created. A simple representation of functional departmentation is under:



Advantages:

The important advantages of functional departmentation are:

- It is a very simple, natural and logical way of grouping activities.
- It promotes specialisation and expertise in various functional areas and experts can be employed.
- It facilitates co-ordination both within the function and at the inter-departmental level.
- It generates a high degree of centralization at the level of chief executive.

Disadvantages:

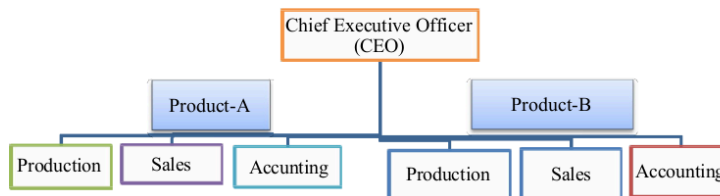
Functional departmentation suffers from the following drawbacks:

- ❖ It may lead to internal frictions among various departmental heads as one department may ignore the interest of the other.
- ❖ In functional departmentation, men are experts of their areas of function only. This hinders the development of all-round managers.
- ❖ It leads to excessive centralization and delay in decision making.
- ❖ It is unsuitable where emphasis lies on products more than the functions.

2. Product-wise departmentation:

The grouping of activities on the basis of products is very popular with large organization,

having distinct type of products. Under this method, all activities related to one type of product are put together under one department under the direction of production manager. A simple representation of product-wise departmentation is given as follows:



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Advantages:

The following are the advantages of product-wise departmentation:

- It ensures better customer service.
- Unprofitable product lines can be easily determined.
- It solves the co-ordination problem of functional department

- It makes control effective
- It assists in the development of all-round managerial talent
- It is flexible as a new product division can be easily added.

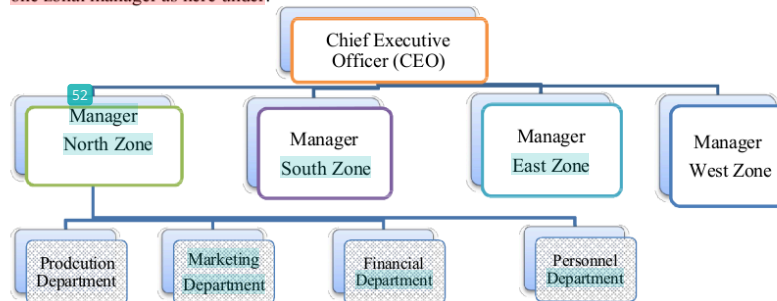
Disadvantages:

The following are the disadvantages of product-wise departmentation:

- It is expensive because of duplication of service functions in various product divisions.
- It may not be linked by customers and dealers who have to deal with different salesmen of the same enterprise for different products.
- It may cause difficulty in apportioning general expenses incurred by the enterprise as a whole.

3. Territorial or geographical departmentation:

When several activities of an enterprise are geographically dispersed in different locations, territorial or geographical departmentation may be adopted. All activities relating to a particular area or zone may be grouped together under one zonal manager or head. There may be further sub-division of activities under one zonal manager as here under:



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Advantages:

The territorial departmentation offers the following advantages:

- ❖ It enables an enterprise to cater to the needs of local people in a satisfactory manner.
- ❖ It enables a concern to make use of location advantages
- ❖ It facilitates effective control
- ❖ It facilitates effective co-ordination of activities within an area □ It assists in the development of all-round managerial talent.

Disadvantages:

The territorial departmentation offers the following disadvantages:

- ❖ It is an expensive method of creating departments and over head costs are also increased
- ❖ It leads to duplication of activities which creates confusion and involves costs
- ❖ Co-ordination among various territorial divisions may become difficult.

4. Customer-wise departmentation:

A business house may be divided into a number of departments on the basis of customers its services viz., large and small customers, industrial and ultimate buyers; government and other customers etc. the peculiar advantage of customer-wise departmentation is that it ensures full attention to different types of customers and their different needs, tastes and requirements can be met effectively. But there may be problems of co-ordination with other departments. There may be enough work, at times, in case of certain types of customers. This may lead to idle capacity.

5. Process or equipment-wise departmentation:

An enterprise where production is carried through different processes may adopt process wise departmentation to enable continuous flow of production. Similarly, where work is carried on machines which are common, departments may be created on the basis of equipments, such as milling department, grinding department, lathe department etc. The main advantage of this method is that it avoids duplication of equipment in various activities

6. Combined or composite form of departmentation:

In practice, it may not be advisable to create departments on the basis of any one of the above method mentioned methods. An enterprise may have to combine two or more of the methods of departmentation to take best use of all of them. Such a method is known as combined or composite method of departmentation.

48 LINE AND STAFF

Organization requires the creation of structural relationship among different departments and the individuals working there for the accomplishment of desired goals. The establishment of formal relationships among the individuals working in the organization is very important to make clear the lines of authority in the organization and to coordinate the efforts of different individuals in an efficient manner.

An organizational structure is mainly concerned with the allocation of duties and responsibilities and delegation of authority. It represents hierarchical arrangement of various positions in the organization. It also specifies who is to direct, whom and who is to report to whom. The adoption of particular form of organization structure largely depends upon the nature, scale and size of the business.

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8.3.1 LINE ORGANIZATION:

Historically, line type of structure is the oldest pattern of organization. It is indispensable to all organized efforts and provides channels of upward and downward communication. It is simple and the most direct type of organization. Here authority flows directly from the top of the organization down to the lower echelons of management hierarchy. Each position in the organization structure enjoys general authority. This type of organization is simple and makes no provision for staff specialists.

1 Line organization is the basic framework for the whole organization. It represents a direct vertical relationship through which authority flows. This is the simplest and oldest, known as chain of command or scalar principle. The authority flows from top to the lower levels. Every person in charge of all the persons under him and himself is accountable to his superior only. Authority flows vertically from top level person to all the persons responsible for the execution of work. Responsibility, on the other hand, flows upwards. Since authority and responsibility flow in an 'unbroken straight line', it is called line organization.

It is characterized by direct lines of authority flowing from the top to the bottom of the organization and lines of responsibility flowing in an opposite but equally direct manner.

Benefits of Line organization:

1. Simplicity:

Line organization is simple to establish and can be easily understood by the employees. There is no complexity in the organization because every person is accountable to only one boss. Everybody knows his work and also to whom he is responsible. So it can be operated simply and clearly.

2. Identification of authority and responsibility:

Line organization helps in fixing authority and responsibility of each and every person in the organization. The authority is given with reference to the assignment of task. The allocation of work will also help in fixing responsibility of various individuals.

3. Co-ordination:

The hierarchy in management helps in achieving effective co-ordination. The general manager is in charge of all the departments and he can easily co-ordinate the work of various departments. At departmental level manager is in charge and he can direct the activities of his juniors.

4. Effective communication:

The chain of command goes from top to bottom. There is a direct link between the superior and his subordinates both can communicate properly among themselves. The reactions of subordinates also reach top management in a short span of time.

5. Economical:

Line organization is easy to operate and less expensive. There are no staff personnel to advise line officers. Line officers take their own decisions without looking to specialized personnel. This greatly reduces the establishment cost.

6. Quick decisions:

Only one person is in charge of a department or division. He has to take various decisions by himself. There are no staff personnel for consultation too. This enables a manager to take prompt decisions. In line organization only departmental head is required to take decisions and he will not waste time in deciding things.

7. Unity of command:

In line organization every person is under the command of one boss only. This type of organization is in accordance with the principle of scalar chain.

8. Effective control and supervision:

The number of subordinates is limited under line organization. There is a direct link between superior and subordinates. This also helps in having better control because the subordinates will be under constant watch.

9. Executive development:

Under this system the departmental head is involved in taking and executing various decisions. His task is challenging and he is expected to discharge his responsibility in an efficient way. This helps an executive to learn many things and develop his capabilities.

10. Flexibility: Since the manager has to take all important decisions, he can make changes if new situation warrants. He need not waste time in getting instructions from above. He can take a decision according to the requirements of the situation

Weakness of Line Organization:**1. Excess work:**

In line organization too much is expected from executives. They are expected to take numerous decisions and supervise the work of subordinates under them. The work load of executives goes on increasing with the expansion and diversification of the unit. The line officer cannot devote sufficient time to each and every work and are over loaded with responsibilities.

2. Lack of specialization:

The lack of managerial specialization is the demerit of line organization. The line officers cannot be experts in every line of business. Since they are to take decisions with regard to every aspect of business, the quality of decisions may suffer.

3. Lack of co-ordination:

There is a lack of co-ordination among various departments. All departmental heads try to run the departments in their own way and according to their suitability. There may be a lack of operational uniformity among various departments. This may become the reason for lack of co-ordination among different departments.

4. Improper communication:

The ultimate authority for taking all decisions lies with line officers. The line officers may become autocratic and start deciding things without consulting their subordinates. The subordinates start keeping distance from the superiors. The subordinates do not convey their reactions or the reactions of workers to the superiors. The lack of communication creates many problems for the smooth conduct of business.

5. Lack of initiative:

In line organization final decision making is done by the top management. The lower level officials do not show initiative in suggesting new things. They feel that their suggestions may not carry weight with their superiors so they avoid taking any type of initiative.

6. Favoritism:

There is a scope for favoritism in line organization. The officers work according to their whims and preferences. They judge the performance of persons according to their own yardsticks.

7. Instability:

The business is dependent upon some key persons and the sudden disappearance of such persons from the scene may create instability in the business. There is also a lack of grooming the new persons for taking up important work. The managerial growth also suffers because lower level persons are not involved in decision-making process.

8.3.2 LINE AND STAFF ORGANIZATION:

Line and staff organization eliminates the drawbacks of both and also has the good points of them. It is a happy blending of line and staff organization. Both line and staff personnel have important roles to play. He will like to know the positions of his enemies so that he is able to plan his placing. A line manager is vested with executive authority. He is responsible for making important decisions and is also accountable for their implications. Line officers are responsible for the accomplishment of various decisions. Staff officers are experts in their fields. They are attached to line managers to advise them in the field of their specialization. Their role is of advisers. The staff organization facilitates the accomplishment of organizational objectives by making available valuable advice and expert knowledge. They have no authority to command the line staff but have control within their own organization.

Advantages of Line and Staff Organization:**1. Specialization:**

Line and staff organization introduces specialization in a systematic manner. Persons with specialised knowledge are appointed to help line officers. The planning part is generally undertaken by staff personnel and line officers are able to devote much time for execution.

2. Better discipline:

The unity of command is maintained in this type of organization. The staff personnel do not interfere with the executive work of line officers. The workers get command from line personnel and are accountable directly to them for their performance. This creates better understanding and discipline among employees.

3. Balanced and prompt decisions:

The functional managers have the advantage of expert advice when taking important decisions. The staff can also be used to investigate and advise on inter-departmental relationships.

The line officers can take balanced and quick decisions.

4. Growth and expansion:

The line and staff organization is quite suitable for growth and expansion. The burden of line staff is eased by the appointment of specialists. Line officers will be able to devote much time for future planning. The present staff will enable the expansion and growth of unit.

5. Development of employees:

This organization provides scope for advancement of career to able and dedicated employees. There are more openings for those who have capabilities of going up. The separation of functions of planning and doing also helps in creating more and more job opportunities.

6. Lesser burden on line officers:

With the appointment of staff officers the burden of line officers is greatly reduced. The specialists help line officers in deciding things regarding their lines of specialization. The line officers are left with routine administration.

7. Quick actions:

The line officers will have sufficient time to take various decisions. Whenever there is a need for certain decisions, they will be able to devote time and decide the things. This type of situation helps in solving many issues which would have created difficulties if timely decisions would not have been taken.

Disadvantages of Line and Staff Organization:

1. **Conflict between line and staff personnel:** There is a possibility of conflict between line and staff personnel. The responsibility for operations lies with line officers while staff officers only advise. The staff officers feel ignored at the hands of line officers. The line officers, on the other hand, complain of interference by staff persons in the day-to-day working.

2. **Lack of responsibility:** There is a lack of responsibility for staff officials. They are not accountable for the actual results of operations. This may tempt them to give rash or theoretical advice. They may also be casual in their approach because the whole blame for non-performance lies with line.

3. **More dependence on staff:** The line officers become habituated for advice on staff. They refer everything to staff for advice. Over-dependence on staff will make line officers less creative. They will not give much thought to any activity since advice will be available from staff.

4. **Lack of co-ordination:** There will be a lack of co-ordination between line and staff. The staff advice may be confused with line orders. The staff orders may also be clear about their exact role. They may try to dominate the implementation part of their advice.

5. **Ineffective staff:** The staff officers do not wield any power in the organization. Without power they will not get prestige in the organisation. They will feel unimportant and the quality of advice will also be adversely affected.

6. **Expensive:** This type of organization is very expensive because a large number of specialists are appointed. The persons being experts in their fields, they demand higher emoluments. Small and medium concerns cannot afford line and staff organization because of its expensive nature.

Difference between Line and Staff:

1. Staff thinks, line does
2. Staff advises, line performs

3. Staff tells the line what to do, line tell staff where to go
4. Staff has the authority of line, lines have the authority to command.
5. Staff has no fixed responsibility, lines have fixed responsibility
6. Staff has no authority over the line and has only power to recommend. Line is responsible for actual execution of work.

Line and Staff conflict:

A line and staff relationship is established to work together to achieve the objectives of the organization. But frequently, there is friction and even conflict in the organization. Rivalry may be common. Line and staff structure is based on the assumption that both will help and support each other. There is a lack of understanding and both try to dominate each other.

Some of the reasons of conflict between the two are as follows:

1. Line managers have the following complaints against staff:

- a. Staff officers claim credit for programmes which are successful but do not want to share responsibility for their failure.
- b. Staff officers are more theoretical than practical. They tend to give advice which has not been tested earlier.
- c. Staff officers do not remain contented by giving advice only. They try to persuade the line for implementing whatever they have suggested.
- d. Though staff officers are well qualified and have good knowledge of their field but try to dominate line officers. This type of tendency creates conflict and friction between line and staff officials.

2. Staff personnel have the following complaints:

- a. Line officers do not make proper use of expert knowledge of the staff.
- b. Staff people feel that their advice is not properly implemented by the line personnel. Line officers do not consult staff while implementing the advice.
- c. Line officers are not generally enthusiastic about the new ideas suggested by the staff. They resist new things and insist on the following traditions.
- d. Staff officers do not have authority to implement their ideas.

3. Other reasons for Line and staff conflicts:

- Lack of accountability
- Line authority
- Lack of human skills
- Domination of managers
- Stress on work
- Supply on inadequate information
- Lack of proper use of staff
- Resistance to new ideas
- Lack of proper authority
- Different backgrounds
- Lack of proper understanding of authority

Inducing Conflicts between Line and Staff:

Line and staff are a matter of authority relationship having a direct bearing upon

the organizational health. If in an organization, line and staff work as an integrated team, organizational efficiency and effectiveness is bound to improve. But even under the best of circumstances possible of conflict cannot together be eliminated, since cooperation cannot be forced, rather people need be persuaded to cooperate. Coordination and cooperation between line and staff can be ensured under the following conditions

● **Clarity and relationships:** The margins of line authority and staff authority should be clearly defined and understood. It should be made clear to all the line personnel that the ultimate responsibility for results lies with them, while the staff personnel are responsible for providing sound advice and service to the line executives. Line and staff proper should understand of position, roles and relationships in the organization structure will go a long way to minimizing the conflict between them.

● **Problem Concerned:** the staff should render complete advice on the problems concerned and they should present realistic recommendations and solutions based on full consideration of all the pertinent facts.

● **Educate and training:** Line should be educated and encouraged to use staff effectively.

● **Well define authority:** staff should realize that it commands respect and reputation in the organization due to its skill and expert knowledge in a particular field.

● **Instruct line:** The line personnel should listen to the staff advice and follow the recommendations only if they are in the best interests of the organization. However, they are expected to give rational reasons for not accepting staff advice. Line executives should be educated and encouraged to make the proper use of staff services.

● **Essential staff advice:** Line executives should seek staff advice as a matter of habit. They should be compelled to consult the staff regularly.

● **Self-advice:** Staff specialists should understand and recognise the problems of the line personnel. They should not make it a prestige issue when their advice is not followed. Rather, they should sell their ideas to the line executives.

● **Support line:** Staff personnel should support and educate the line managers by informing them as to what they can do for the line managers.

● **Create committee:** Committees of line and staff executives should be created and they should hold meetings periodically. A discussion about all outstanding conflicts and differences should be carried out and solved amicably. Still, if they are unable to be resolved, a common superior should be consulted.

● **'Linking Pin' concept developed by Rensis Likert:** This is a concept by Rensis Likert that solves the problem of interaction between society and its surrounding environment. This same method can be implemented for line and staff structure in an organization.

7.8. SUMMARY

Organization is a task of mobilizing the necessary resources. Organization as a structure is the particular system of arrangements, the pattern of network of relations between various positions. The structure is not accidental. The key executive's determine the structure they feel will best serve company need because the relationships are created and defined through the exercises of authority. There are certain principles of organization. Organizations are of two types, formal and informal. Line and staff functions are required in an organization. It also discussed the merits and limitations of line and staff organization and the conflict between these two concepts.

7.9. KEYWORDS

- ❖ **Organizing:** it is a mechanism or structure that enables living things to work effectively together. The evolution of all forms of life and of human society demonstrates the need for organization.

organization is the establishment of authority relationships with provision for co-ordination between them, both vertically and horizontally in the enterprise structure.

- ❖ **Organization as a group of people:** An organization consists of formal and informal groups in its set-up. Formal groups are set up by the top level authority having specific authority-responsibility relationships, while informal groups develop within the formal groups in order to satisfy personal and social needs of the people.

- ❖ **Principle of delegation of authority:** Principle of delegation means each managerial position should be provided with adequate authority so as to enable the holder of the position to cope successfully with the requirements of the job.

- ❖ **Formal organization:** it is a pinnacle of man's achievement in a disorganized society. It is man's orderly, conscious, intelligent creation for human benefit. A formal organization is a system of well defined authority positions and responsibility centers. In a formal organization, individuals are fitted into jobs and positions and work as per the managerial decisions. Thus, the formal relations in the organization arise from the pattern of responsibilities that are created by the management.

- ❖ **Informal organization:** it refers to the activities of people, in particular to their actions in terms of needs, emotions and attitudes. An informal organization is not a planned one. It is created spontaneously. Authority is generally based on personal acceptance. All the inadequacies of a formal organization require an office to function, but an informal organization functions through people. Informal work groups blend with the formal organization to make a workable system for getting work done. Informal work groups lighten the work load for the formal manager and fill in some of the gaps in the managerial abilities.

- ❖ **Departmentation:** it is the process of grouping various activities into separate units or departments. A department is a distinct section of the business establishment concerned with a particular group of business activities of like nature. The actual number of departments in which a business house can be divided depends upon the size of establishment and its nature. A big business enterprise will usually, have more departments as compared to a small one. Departmentalization is the grouping of jobs, process and resources into logical units to perform some organizational goals.

- ❖ **Line and staff organization:** Both line and staff personnel have important roles to play. Line officers are responsible for the accomplishment of various decisions. Staff officers are experts in their fields. They are attached to line managers to advise them in the field of their specialization. Their role is of advisers. The staff organization facilitates the accomplishment of organizational objectives by making available valuable advice and expert knowledge. They have no authority to command the line staff but have control within their own organization.



7.10 SELF-ASSESSMENT QUESTIONS

1. Define organization? What are the principles of organization?
2. Describe formal and informal organization?
3. Explain line and staff functions in an organization.
4. What is Departmentation? Explain the patterns used in Departmentation?

7.11 FURTHER READINGS

- Kootnz & O'Donnell, Principles of Management.
- J.S. Chandan, Management Concepts and Strategies.
- Arun Kumar and R. Sharma, Principles of Business Management.
- Sherlerkar and Sherlerkar, Principles of Management
- B.P. Singh, Business Management and Organization

LESSON-8**SPAN OF CONTROL AND DELEGATION****OBJECTIVES:**

After you have completed this lesson, you should be able to:

- understand the concept of span of management
- know the Graicunas Theory
- identify factors determining span of management
- understand the essentials of delegation of authority
- identify effective delegation in management

STRUCTURE:**8.1 INTRODUCTION****8.2 FACTORS DETERMINING THE SPAN OF MANAGEMENT****8.3 DETERMINING OF THE PROPER SPAN****8.4 CONCEPT OF DELEGATION****8.5 DELEGATION PROCESS****8.6 MEASURES TO MAKE DELEGATION EFFECTIVE****8.7 SUMMARY****8.8 KEYWORDS****8.9 SELF-ASSESSMENT QUESTIONS****8.10 FURTHER READINGS****8.1 INTRODUCTION-SPAN OF MANAGEMENT**

9

Every person has a limited capacity to effectively supervise and control other person. No one control an infinite number of subordinates. The capacity and ability of a person to supervise a large number of subordinates working under him is limited on account of time at his disposal, knowledge, energy, his personality, interest and other capabilities. Therefore, the number of subordinates working under him must be manageable and the management must create departments or distinct activity groups each of which has a manager in charge. The span of supervision is also known as span of control, span of management, span of responsibility, span of authority and span of direction

Meaning and definition: Span of management refers to the problem of “how many subordinates can be effectively managed by a manager”. The term ‘span’ literally means the space between two supports of a structure, e.g., the space between two pillars of a bridge. The space between the two pillars should neither be too large nor too small. If it is too large, the bridge may collapse; and if it is too small, it will enhance its cost.

When applied management ‘span’ subordinates a manager or supervisor can supervise, manage or control effectively and efficiently. Span of supervision, therefore, refers to the optimum number of subordinates that a manager or supervisor can manage or control effectively.

Span of management also refers to span of control signifying the number of subordinates reporting directly to any executive. It is an established fact that larger the number of subordinates reporting directly to the executive, the more difficult it tends to be for him to supervise and coordinate them effectively. This important principle of management should also be kept in mind.

General Hamilton, who was the first person to introduce the concept of Span of Control in his famous book *The Soul and body of the army*, states that “The average human brain finds its effective scope in handling from three to six other brains. The nearer we approach the supreme head of the whole organization, the more we ought to work towards groups of six”.

According to Peter F. Drucker, span of control refers to the limit of number of subordinates reporting directly to a superior.

According to Sprigal “Span of control means the number of people reporting directly to an authority. The principle of span of control implies that no single executive should have more people looking to him for guidance and leadership than he can reasonably be expected to serve.”

In the words of **Koontz and O Donnell** used this term to represent the limit on the number of persons that an individual can effectively manage. In a classical type of organizational structure, which is the most common form, the effectiveness and efficiency of operations are determined by the number of people under the direct supervision of a manager.

For effective operations, it is necessary to have the optimum number of subordinates to supervise. As discussed above, the informal groups have significant impact on the span of management. If the supervisor has cordial relations with his subordinates and the subordinates are dedicated to their work for professional as well as social reasons, then more subordinates can be assigned to each supervisor and less managerial time will be needed to deal with the subordinates.

9.1 FACTORS DETERMINING THE SPAN OF MANAGEMENT

- ❖ **Qualities and abilities of the managers:** Each manager has different capacity and ability in terms of decision making, leadership, communication, judgment, guidance and control etc. Managers having more abilities in respect to these factors may have more number of subordinates.
- ❖ **Capacity and quality of subordinates:** Capacity of subordinates also affects the span of a manager. Efficient and trained subordinates may work without much help of their manager. They may just need broad guidelines and they will perform accordingly. They would require lesser time from their superior due to which manager can have large number of subordinates under him.
- ❖ **Nature and significance of work:** If subordinates are performing similar and repetitive routine work they can do their work without having much time of the manager. Frequent changes in work would require more detailed instructions from manager whenever there is change in work. Type of technology used also affects the span of control.
- ❖ **The degree of Decentralization:** Degree of centralization or decentralization affects the span by affecting the involvement in decision making process. If manager clearly delegates his authority and defines it fully this would require less time to devote to manage his subordinates as subordinates will take most of the actions by their own. Hence manager can have wider span.
- ❖ **Degree of Planning:** If the planning is effectively done particularly if standing plans procedures rules methods are clear then subordinates can make their decisions on their own. If they have to make their own plans they would require more guidelines by superiors and manager can handle

1. narrow span in the case of improper planning.

- ❖ **Communication System:** If communication system is modern i.e. tools like electronic devices will save time of face to face interaction, which require more time, span of manager can be increased
- ❖ **Levels of Management:** level of management also affects the span. Higher the level of management lesser the number of subordinates as higher level management does not have much time to supervise. They spend their most of time in planning and other functions.

Lower level managers can have wider span than the higher level managers.

- ❖ **Physical location:** If all the persons to be supervised are located at same place within the direct supervision of manager, he can supervise more number of people. If subordinates are at different locations then manager can supervise less number of spans.

- ❖ **Other factors:** The span of control in practice is also affected by other factors such as time availability, degree of decentralization and control practices. These factors are bound to have impact over the size of span. Similarly, a wider span of control may prevail when the work of the subordinates can be controlled through written reports.

9.2 DETERMINING OF THE PROPER SPAN

Very often the question is asked as to how many subordinates a supervisor can manage effectively. However, this question has been attempted by various management experts and even they are not unanimous over this point. The idea of limited span developed from experience. Although the concept of span of control was discussed by Henry Fayol, but Sir Lan Hamilton is usually given credit for developing this concept.

V.A. Graicuna's Theory

V.A. Graicuna's published a famous paper in 1933. He analysed subordinate-superior relationship in terms of a mathematical formula. The formula was based on the theory that the complexities of management increase geometrically as the number of subordinates increases arithmetically. He identified three types of subordinate-superior relationship:

- Direct single relationship arising from the direct and individual interaction of the superior with his subordinates
- Direct group relationships arising between the superior and the subordinate in all possible combinations, such as A to B with C, and A to C with B.
- Cross relationships arising from mutual relationships among subordinates for working under the same superior.

Graicuna's has given the following formula to ascertain the number of subordinate superior relationships: $\text{Number of relationships} = n[2^{n/2} + n - 1]$
Where, n stands for number of subordinates.

Hence, if number of subordinates working under a supervisor is 4, the number of relationships he develops is 44 as calculated below:

$$\text{No. of relationship} = n[2^{n/2} + n - 1] = 4[2^{4/2} + 4 - 1] = 44$$

Graicuna's was of the opinion that a person can manage 222 relationships arising out of 6 subordinates. L. Urwick, a prominent British consultant, however, found that the ideal number of subordinates for all superior authorities to be 4 and at the lowest level of organization the number may be 8 to 12. According to Healey, the span at higher level should not be more than 5 subordinates and at lower levels it can be 7 or 8. J.C. Worth suggested a span as higher as 20 to 30 subordinates.

No.of subordinates	1	2	3	4	5	6	7	8	9	10
No.of relationships	1	6	18	44	100	222	490	1080	2376	5210

2) summarize the findings and principles of this theory:

- There is a limit to the number of subordinates that an individual manager can effectively control.
- The exact number of such span depends upon the situation and its fundamental variables like pressure of workload, energy, knowledge and attention of the superior and degree of teamwork.
- **Criticism of the theory**
 - The span of control cannot be rigid and universal. The actual span of control is determined by a number of factors, which have not been covered by Graicunas theory.
 - This theory ignores the frequency and severity of relationships that have not been dealt within this theory.
 - This theory explains only superior relationships with subordinates.

9.2.1 ADVANTAGES OF SPAN OF CONTROL

Advantages of adequate span of control can be pointed out as:

- ❖ It increases work efficiency
- ❖ Facilitates effective supervision and control
- ❖ Increases goodwill
- ❖ Develops professional morale and team spirit
- ❖ better communication and co-ordination
- ❖ Facilitates quick action
- ❖ Less labour absenteeism
- ❖ develops discipline and mutual trust
- ❖ Superiors can concentrate on important work.

9.2.2 TYPES OF SPAN OF CONTROL:

The span of control can be of two type"s i.e. wide span of control and narrow span of control.

1. **Wide span of control:** Wide span of control means a manager can supervise and control effectively a large number of persons at a time. It is because shorter span of control leads to rise in number of steps or levels in vertical chain of command which leads to tall organization. Wide span of control has features as it leads to maximized communication; better supervision; better co-ordination; suitable for routine and easy jobs; prompt response from employees; less overhead cost of supervision and greater ability to respond to environmental changes.

Following are the advantages of the wide span structure:

 - It indicates that the chain of command is short. Because of this, communication tends to be quicker and more effective.
 - This system allows delegation of authority and development of subordinates.
 - Subordinates feel more autonomous and independent in wide span organizational structures.
 - Despite these advantages, flat organizations also have some disadvantages. Flat structure makes supervision and control loose and less effective because a single executive may not have enough time and energy to supervise all subordinates. It is not at all suitable for large manufacturing organizations

that have developed business with narrow span structure.

2. Narrow span of control: When the work and authority is divided amongst many subordinates and a manager supervises and controls a small group of people, then narrow span of control exists. It adds more layers or levels of management and so leads to tall organization. Main features of narrow span of control are as specialization work can be achieved; work which is complex and requires tight control and supervision, there narrow span of control is helpful; messages can be distorted; co-ordination is difficult to achieve; communication gaps can come; more overhead cost of supervision and no quick response to environmental changes.

Narrow span refers to the existence of too many levels in an organization.

Following are the advantages of the narrow span structure:

- The main advantage of narrow span is that effective leadership and control can be directly exercised on subordinates.
- The senior can easily communicate and effectively coordinate the efforts of his subordinates since their number is small. Direct contact, close supervision and tight control can help improve the performance pattern.

Organizations with narrow spans suffer from several limitations. Following are the limitations of the narrow span structure:

- Too many levels delay two-way communication when a message has to pass through different levels. Its effectiveness may be reduced.
- Large number of managers is required which results in additional salaries and high cost of management.
- A tall structure may have its adverse impact over morale because of the absence of close link between the top executive and bottom worker.

8.3.3. LIMITATIONS OF SPAN OF MANAGEMENT

Limitations of span of management are:

- ❖ Existence of too many levels is expensive because the organization has to bear the burden.
- ❖ Too many levels (span) complicate the communication between the manager and its subordinates. Omissions and misinterpretations increase with wide spans.
- ❖ Existence of too many levels and numerous departments create problems even in the planning and control process. A well-defined plan loses clarity and coordination as it passes to the lower and lower levels. In a similar way control becomes difficult with too many managers.
- ❖ Handling of superior subordinate relationships on smooth lines is must for the success of any organization. Larger spans and too many managers may complicate the synchronised relationships between workers and management.
- ❖ Division of activities among various departments and creation of hierarchical levels are not completely desirable as departmentalisation is not an end for achieving effectiveness in organization.

8.4. CONCEPT OF DELEGATION

Authority is the key to the management job and manager without authority ceases to be a manager in the formal sense. In the same way, authority delegation is the key to the organization. Delegation is an administrative process of getting things done.

by others by giving them responsibility. All important decisions are taken at top level by board of directors. The chief executive executed and assigns the work to departmental managers who are turn delegate the authority to their subordinates. Every superior delegates the authority to subordinates for a particular work done. The process goes to the level where actual work is executed. There is a limit up to which a person can supervise the subordinates. When the number of subordinates increases beyond its them he will have to delegate his powers to others who perform supervision for him. He assigns duties and authority to his subordinates and ensures the achievement of desired organizational goals.

Meaning and definition:

"**De**legate and get the things done" is the essence of modern management. Delegation means to grant or conferring authority from one manager or organizational unit to another order to accomplish particular assignments. A manager simply does not delegate authority; he delegates authority to get certain work accomplished.

Delegation means devolution of authority on subordinates to make them to perform the assigned duties or tasks. It is that part of the process of organization by which managers make it possible for others to share the work of accomplishing organizational objectives. Delegation consists of granting authority or the right to decision-making in certain defined areas and charging the sub-ordinate with responsibility for carrying through the assigned tasks.

Louis A. Allen has said that "Delegation is the dynamics of management, it is the process a manager follows in dividing the work assigned to him so that he performs that part which only he, because of his unique organizational placement, can perform effectively and so that he can get others to help him with what remains".

In the words of F.G. Moore – "Delegation means assigning work to others and gives them authority to do it."

E.F.L. Brech has also said that "Delegation is a process of sharing a few or all of the four elements of the management process, i.e. command, planning, co-ordination and control". He goes on to say that the delegation is not a question of issuing instructions but is a bringing down of the executive's responsibility and transmission of part or all of it to other persons.

Thus, the delegation refers to the entrustment of responsibility and authority to another and the creation of accountability for performance. It also refers to conferring authority to another, usually, a subordinate.

So that the major elements of delegation as follow:

- ❖ **Authority:** according to Henry Fayol, authority is the right to give orders and the power to exact obedience. Authority may be either expressed or implied. It may be a power to command or order. It may be either to purchase machinery, employ people, borrow money ect. Authority cannot be unlimited also. The superior grants authority to the subordinate to carry out the assigned task or duty. This may include right to use resources, spend money, engage people, etc.
- ❖ **Responsibility:** according to Theo Haimann, Responsibility is the obligation of a subordinate to perform the duty as required by his superior. Responsibility is exacted upwards and authority flows downwards. Responsibility may be in the form of continuing obligation or special assignment. Responsibility cannot exist without sufficient authority. The superior entrusts some responsibility or duty to a subordinate.
- ❖ **Accountability:** according to McFarland accountability refers to the fact that each person who is given authority must recognize that the executive above him will judge the quality of his performance. It is a logical derivative of authority. Every subordinate is accountable to his superior for the tasks assigned to him; Delegation requires creation of accountability, conferring authority and assigning a particular duty, or task fixation. The last step in delegation is concerned with creating an obligation to carry out duty or responsibility and render an account of the results achieved through the use of delegated authority. The subordinate must be held accountable for the exercise of authority granted to him. By accepting the duties and authority, a subordinate becomes responsible to his superior.

8.4.1 ³ NEED FOR DELEGATION:

Delegation is essential in modern management practice to accomplish effective results. It has become important for the following reason:

- Limitations of one man's ability and time: however capable an individual might be, he has limited energy and time. So he has to delegate to get things done by dividing the work load and assigning it to different workers at a different level. So an executive can multiply himself into numerous workers by delegation.
- Specialized and technological needs: modern organizations need the services of different specialists and technicians. One man cannot be specialized in different fields of activities. So delegation becomes essential.
- Tendency to diversify and decentralize organization: Modern large scale businesses have a tendency to diversify and decentralize its activities. All such divisions and branches should be managed effectively, even though they are away from the head office. Delegation of authority to the branch managers can make these diversified and decentralized branches function effectively.
- Employee motivation: more and more interest and enthusiasm can be introduced through delegation to the workers, so that they can feel that they are also participate in the decision making.
- Managerial development: delegation, by providing sufficient opportunity for the worker to take decisions and to accept more and more responsibility, can create new generation managers. Initiative, involvement and constant participation will provide continuity of management. So delegation can be considered as a means of management development.

8.4.2 ¹ DELEGATION PRINCIPLES:

1. **Principle of functional definition:** As per this principle, each role in the organization must be clearly defined in terms of work content, authority required and responsibility attached. This would help superiors as well as subordinates to have better understanding of the activity or set activities delegated.
2. **Principle of non-delegation of personalized matters:** According to this principle, there are some matters which must be handled by superior alone in his personal activity. This is because he happened to be the fittest person for this purpose in view of his placement in the organization.
3. **Principle of delegation by results expected:** As per this principle, subordinates must be made clear about what results they are expected of. By spelling out duties in terms of results expected, an advance notice is given to them as to the criterion against which their performance may be judged.
4. **Principle of unity of command:** The principle states that an employee should receive orders from a single superior. If two superiors exercise their authority over the same person, it causes uneasiness and disorder. Similarly, at a time, one and only one superior should delegate work to a subordinate.
5. **Principle of scalar chain:** The delegation of authority should take place via scalar chain. In other words, it is the most immediate superior who delegates the work to the most immediate subordinate. This is because an immediate superior is the best judge of the competence of his subordinate.
6. **Principle of parity of authority and responsibility:** Authority and responsibility should go hand-in-hand. If subordinates have been assigned duties, they must be given responsibility authority to carry out the same and that if subordinates are given authority they must be made accountable for the same.
7. **Principle of absolute responsibility:** As per this principle, responsibility is absolute and fixed. The delegator, who delegates authority, cannot make himself free from his responsibility and accountability. He continues to be accountable for the actions and activities that he delegates.
8. **Authority-level principle:** As per this principle, a manager must take only such decisions which fall within his preview. In other words, a subordinate while performing his duties, must refer those matters upward in the management hierarchy for which authority has not been delegated to him.
9. **Principle of strategic control:** According to this principle, the superior delegating authority must exercise control, only of broad nature, over the subordinate. He must not interfere with free and smooth functioning of the subordinate. However, he must keep a strict vigilance over his performance.

8.5. DELEGATION PROCESS:**a. Determination of results expected:**

While planning delegation of authority, first of all, the superior has to determine the results expected from his subordinate who is to be delegated authority. This step naturally requires an estimate of the apparent competence of the subordinate. Delegation without due regard to competence of subordinate, in all good probabilities, will lead to a poor delegation.

b. Assignment of duties to subordinates:

The second step in the process of delegation of authority is assign requires a proper description of duties to be assigned to subordinates. Duties can be described in two ways:

1. In terms of an activity or a set of activities to be performed.

2. In terms of results expected from the performance of activities.

It is always advisable to express duties in terms of results expected so as to give the subordinate a better understanding of his role.

c. Authorization for action:

The third step involves granting permission to take actions like making commitments, use of resources and other actions necessary to get the assigned work done. The basic principle is that the scope of authority to be allocated to the subordinate is inseparably linked with the activities delegated to him.

d. Creation of obligations or responsibilities:

The last aspect of delegation is to create obligation on the part of subordinate for the satisfactory performance of his assignments. The delegation of authority must be accompanied delegation of responsibility. For any action taken by subordinate within or outside his authority, he should be made to feel responsible for the same.

8.5.1 ADVANTAGES OF DELEGATION:

1. **Basis of organization:** Delegation of authority is one of the most significant steps in the process of designing organizational structure. Further, without creating organizational structure, an organization cannot function. Hence, delegation is the basis of organization.

2. **Enables superior to perform creative work:** Delegation of authority improves the managerial efficiency and effectiveness by allowing them to delegate routine tasks to the lower level subordinates. As a result, superiors can concentrate on more creative and challenging works.

3. **Training and development:** Delegation of authority is a step towards training of workers and development of managers for higher managerial positions. The main advantage of delegation is that it solves the problem of succession of managers in the organization by training and developing existing organizational staff.

4. **Motivation and morale of subordinates:** Delegation of authority enhances the status of the subordinates and provides them motivation to improve their performance. This improves the morale of subordinate and induces him to put his best towards the organizational objectives.

5. **Specialization through subordinates:** Management can reap advantage of specialization by delegating work to subordinates, who are specialists in it. Managerial efficiency and organizational success are at their maximum when management seeks services of specialists.

6. **Quick and better decision-making:** Delegation of authority facilitates quick and better decision making. Decision-making is quick because subordinates can make decisions within the limits of authority delegated to them and it is better because subordinates are much closer to realities.

8.5.2. **DISADVANTAGES OF DELEGATION:**

There are some practical difficulties or problems in the process of delegation. It may be because of the superior's ego or the attitude of the subordinate.

From the point of the superior:

- ❖ If a superior is an autocrat or a person who thinks that delegation will reduce his importance in the organization, he may not delegate authority.
- ❖ The superior may feel that he can do the job much better himself and as such, may not like delegation.
- ❖ Lack of trust between superiors and subordinate also limits the scope of delegation.
- ❖ The superior feels that the subordinate is not capable of accepting the responsibility.
- ❖ A superior may be precise and perfect in his very nature. He may not like to take chances and so he may perform the job himself.
- ❖ If there are no developed control techniques, a manager will not be able to know the impending problems. So a manager may like to delegate without knowing the consequences.

From the point of the subordinate:

- ❖ They may not have authority because of fear of criticism and unfavorable results.
- ❖ If a subordinate feels that it is easier to ask the boss rather than decide himself about how to deal with a problem, he may not like to take up independent responsibility and naturally, he can't be delegated any major and independent authority.
- ❖ The subordinate may not like to take risk and face embarrassing situations for fear of criticism.
- ❖ If a subordinate has no confidence in facing a particular problem, he may not accept delegation.
- ❖ Lack of positive incentives for subordinates
- ❖ If the brilliant performance of a worker is not recognized or appreciated by the superior it may discourage the subordinate from accepting further delegation.

From the organizational side:

- ❖ Management's philosophy and commitment towards the process of delegation
- ❖ Centralization and decentralization in the organization
- ❖ Poor organizational climate

8.6. **MEASURES TO MAKE DELEGATION EFFECTIVE:**

While most managers are reluctant to delegate duties and authority, and most subordinates are even more so to accept delegation, the fact remains that only delegation can enable efficient accomplishment of the organizational objectives. The following are the guidelines to make delegation effective:

- ❖ Define the objectives in clear terms.
- ❖ Select proper persons for delegation and train them.
- ❖ Motivate subordinates through various incentives
- ❖ Establish a favorable work climate free from fear and frustration
- ❖ Determine the tasks to be delegated
- ❖ Delegate sufficient authority to perform the job
- ❖ Provide all possible assistance
- ❖ Establish proper controls and conduct regular reviews
- ❖ Adhere to the principles of delegation
- ❖ Evaluate the final results.

8.7. **SUMMARY**

In this lesson discussed that importance of Span of management and delegation of authority. And conclude that an appropriate span of management is to be followed for effective functioning. It refers to the problem of "how many subordinates can be effectively managed by a manager". The capacity and

ability of a person to supervise a large number of subordinates working under him is limited on account of time at his disposal, knowledge, energy, his personality, interest and other capabilities.

Therefore, the number of subordinates working under him must be manageable and the management must create departments or distinct activity groups each of which has a manager in charge. The span of supervision is also known as span of control, span of management, span of responsibility, span of authority and span of direction. And also delegation is essential in modern management practice to accomplish effective results. Authority is the key to the management job, and manager without authority ceases to be a manager in the formal sense. In the same way, authority delegation is the key to the organization.

8.8 KEYWORDS

- ❖ **Span of control:** Span of management also refers to span of control signifying the number of subordinates reporting directly to any executive. It is an established fact that larger the number of subordinates reporting directly to the executive, the more difficult it tends to be for him to supervise and coordinate them effectively. It refers to the limit of number of subordinates reporting directly to a superior.
- ❖ **General Hamilton:** The first person to introduce the concept of Span of Control in his famous book *The Soul and body of the army*, states that "The average human brain finds its effective scope in handling from three to six other brains. The nearer we approach the supreme head of the whole organization, the more we ought to work towards groups of six".
- ❖ **V.A. Graicuna's Theory:** V.A. Graicuna's published a famous paper in 1933. He analysed subordinate-superior relationship in terms of a mathematical formula. The formula was based on the theory that the complexities of management increase geometrically as the number of subordinates increases arithmetically. Graicuna's has given the following formula to ascertain the number of subordinate-superior relationships: $\text{Number of relationships} = n[2n/2 + n - 1]$
- ❖ **Narrow span of control:** When the work and authority is divided amongst many subordinates and a manager supervises and controls a small group of people, then narrow span of control exists. It adds more layers or levels of management and so leads to tall organization. Main features of narrow span of control are as specialization work can be achieved; work which is complex and requires tight control and supervision, there narrow span of control is helpful; messages can be distorted; co-ordination is difficult to achieve; communication gaps can come; more overhead cost of supervision and no quick response to environmental changes.
- ❖ **Delegation:** Delegation means devolution of authority on subordinates to make them to perform the assigned duties or tasks. It is that part of the process of organization by which managers make it possible for others to share the work of accomplishing organizational objectives. Delegation consists of granting authority or the right to decision-making in certain defined areas and charging the sub-ordinate with responsibility for carrying through the assigned tasks. It is a process of sharing a few or all of the four elements of the management process, i.e. command, planning, co-ordination and control.
- ❖ **Authority:** according to Henry Fayol, authority is the right to give orders and the power to exact obedience. Authority may be either expressed or implied. It may be a power to command or order. It may be either to purchase machinery, employ people, borrow money ect. Authority cannot be unlimited also. The superior grants authority to the subordinate to carry out the assigned task or duty. This may include right to use resources, spend money, engage people, etc.
- ❖ **Responsibility:** according to Theo Haimann, Responsibility is the obligation of a

subordinate to perform the duty as required by his superior. Responsibility is exacted upwards and authority flows downwards. Responsibility may be in the form of continuing obligation or special assignment. Responsibility cannot exist without sufficient authority. The superior entrusts some responsibility or duty to a subordinate.

❖ **Accountability:** according to McFarland accountability refers to the fact that each person who is given authority must recognize that the executive above him will judge the quality of his performance. It is a logical derivative of authority. Every subordinate is accountable to his superior for the tasks assigned to him; Delegation requires creation of accountability, conferring authority and assigning a particular duty, or task fixation. The last step in delegation is concerned with creating an obligation to carry out duty or responsibility and render an account of the results achieved through the use of delegated authority. The subordinate must be held accountable for the exercise of authority granted to him. By accepting the duties and authority, a subordinate becomes responsible to his superior.

8.9 SELF-ASSESSMENT QUESTIONS

1. Explain "span of management".
2. Define span of control. Discuss the factors determining the optimum span of management?
3. Briefly explain V.A. Graicuna's Theory?
4. Explain delegation of authority?
5. What is delegation of authority? Why management fail to delegate?

8.10 FURTHER READINGS

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LESSON-9

DECENTRALIZATION AND COMMITTEES

OBJECTIVES:

- Recognize the need for decentralization
- Understand the nature and working of committees and their advantages and disadvantages

STRUCTURE:

- 9.1 INTRODUCTION
- 9.2 FACTORS DETERMINING DEGREE OF DECENTRALIZATION
- 9.3 BENEFITS AND LIMITATIONS OF DECENTRALIZATION
- 9.4 COMMITTEES
- 9.5 ADVANTAGES AND DISADVANTAGES OF COMMITTEES
- 9.6 SUCCESSFUL OPERATIONS OF COMMITTEES
- 9.7 SUMMARY
- 9.8 KEYWORDS
- 9.9 SELF-ASSESSMENT QUESTIONS
- 9.10 FURTHER READINGS

9.1 INTRODUCTION-DECENTRALIZATION

Decentralization refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points. Decentralization is considered with the placement of authority with reference to responsibility. It means dispersal of decision-making power to lower-levels of the organization. It implies the distribution of managerial authority of planning, directing, coordinating, controlling etc., among executives at all levels in the organization. Under decentralization major decision making authority is given to the departmental heads. Decentralization is not same as delegation. Delegation means delegating authority and responsibility from one individual to another, while decentralization is a broader concept, which means scattering of authority throughout the organization.

Meaning and definition:

It means dispersal of decision-making power to lower-levels of the organization. It implies the distribution of managerial authority of planning, directing, coordinating, controlling etc., among executives at all levels in the organization. Under decentralization major decision making authority is given to the departmental heads. Decentralization is not same as delegation. Delegation means delegating authority and responsibility from one individual to another, while decentralization is a broader concept, which means scattering of authority throughout the organization.

Henry Fayol states that “everything that goes to increase the importance of the subordinate’s role is decentralization; everything which goes to reduce it is centralization.

According to **Louis A. Allen** “Decentralization refers to systematic effort to delegate to the lowest levels, all authority except that which can only exercised at the central points.”

According to **Koontz and O' Donnell** "Decentralization of authority is a fundamental phase of delegation to the extent that authority is not delegated; it is decentralized."

According to **Keith Davis** wide distribution of authority and responsibility must be made to the smallest sized unit that is practical throughout an organization. It is an advanced form of delegation to operating units.

McFarland defines "decentralization as the degree to which an organization places authority and management permits"

So decentralization refers to creating a number of relatively autonomous units under a central organization and delegating appropriate powers to them; it is a policy of the top management towards employee development programmes. In a decentralized organization, the decision making power will be widespread; it is a systematic effort to delegate authority to the lowest levels.

9.2. FACTORS DETERMINING DEGREE OF DECENTRALIZATION

Whether to delegate or not depends upon the personal choice of individual managers as well as the philosophy of higher level management. However, some of the other factors beside the choice of manager and philosophy of management that affect decentralization are:

- a. **Size of organization:** Decentralization depends upon the size of the organization. Larger the size of an organization, the more urgent is the need of decentralization. The complexities of large organization may require routine and repetitive decisions to be decentralized at the lower level of management hierarchy.
- b. **History of organization:** Decentralization also depends upon the way organization has been built-up over the period of time. Those organizations which grow from within, under the direction of the owner-founder, tend to be centralized, while organizations that grow through mergers and amalgamations and widespread expansion tend to be decentralized.
- c. **Geographical expanse:** An organisation having branches at dispersed geographical locations has no option than to decentralize.
- d. **Management philosophy:** Decentralisation is a kind of management philosophy to regulate organizational processes. In fact, decentralisation is a way of organizational life. Some progressive managers view it as a tool of harnessing capabilities of their workforce, while some others may view it as a tool of satisfying their own ego and dominate their workforce.
- e. **Availability of managers:** Availability of managers directly affects the degree of decentralization. If competent and experienced managers readily available in the organization, then there are more chances of decentralization. Decentralization in such organizations is also necessary to satisfy inner sense of such managers as they like to lead rather than being led.
- f. **Pattern of planning:** Planning is the primary function of management. All other managerial functions are subsidiary to it. If the organisation follows participative planning. Then naturally authority in the organization will be more decentralized. However, if planning activities are centralized at the top level then authority too will be centralized.
- g. **Control techniques:** Controlling is necessary for ensuring performance as per pre-determined plans. If control systems in the organization are well developed and effective, more functions can be decentralized at the lower level. This is because control system puts check on the activities of lower level managers and deviations, if any, can be located easily.
- h. **Structure of organization:** In the organizations that practice division of labour and specialization and have a number of departments and sub-units for major activities, decentralization becomes a natural phenomenon. Authority responsibility in such organizations automatically get dispersed to a number of departmental heads, thus, larger the organization more would be decentralized.
- i. **Environmental influences:** Besides the various factors discussed above, most of which are internal to the organization, there are a number of external factors which either compel an organization to centralize or decentralize. Some of the factors are government

policy, organizational pattern in the industry, availability of experts and professionals etc.

9.3. BENEFITS AND LIMITATIONS OF DECENTRALIZATION

1. **Decentralization reduces burden to top executives:** Decentralisation relieves the top executives from routine and time-consuming operations. Therefore, they can concentrate on their primary job of policy formulation, long-range planning, coordination and control and other important matters such as planning for expansion and diversification.
2. **It promotes growth, expansion and diversification:** In case of growth, expansion and diversification, the responsibilities of top management increase. Decentralization is the means by which they can extend their leadership over a giant enterprise and yet keep themselves free for major issues.
3. **It simplifies the problem of management succession:** Decentralization provides a better means of developing future managers and executives. Experience and ability to seek responsibility train them. Thus, decentralization ensures supply of managers from within the organization, when a large number of managers are required at the time of expansion of the enterprise.
4. **It helps in taking prompt and right action:** Decentralization places decision-making authority, responsibility and accountability as near as possible to places where action takes place. It is possible for those close to workplace to make reasonably accurate and quick decisions because they are well aware of realities. Thus, decentralization facilitates prompt and right action.
5. **It facilitates diversification of product lines:** In a multi-product and multi-geographic organization, decentralization helps in creating a separate division for each product or market. This helps in effective handling of each product and its sales territory. The managers of different divisions have sufficient authority to act with regard to their departmental matters.
6. **It motivates subordinates for higher goals:** The most important human needs are power, prestige, status and independence. Decentralization fulfils these human needs. The satisfaction of these needs leads to greater initiative, willingness to take responsibility and high morale among employees, which in turn helps the organization to set high targets for them.
7. **It leads to effective control:** Decentralization of authority requires centralized control. By making both measurement and accountability more clear-cut, decentralized promotes effective control. If performance of a particular department is poor then it takes corrective action. At the same time, those who perform well can be suitably rewarded.

Limitations of decentralization:

- ❖ Makes it more difficult to have a uniform policy
- ❖ Increases complexity of coordination of decentralization organizational units
- ❖ May result in loss of some control by upper level managers
- ❖ May be limited by inadequate control techniques
- ❖ May be constrained by inadequate planning and control systems
- ❖ Can be limited by the availability of qualified managers
- ❖ Involves considerable expense for training managers
- ❖ May be limited by external forces, like national labour unions, government controls and tax policies
- ❖ May not favor by economies of scale of some operations

9.4. COMMITTEES

A number of persons may come together to take a decision, decide a course of action, advise line officers on some matters, it is a committee form of organization. It is a method of collective thinking, corporate judgement and common decision. A committee may be assigned some managerial functions or some advisory or exploratory service may be expected from it. But it is a method of attaching persons or groups to line departments for advice and guidance in business planning and execution. Sometimes there is a

need to get opinion of other persons for taking important decisions. Because of collective information and analysis, committees are more likely to come up with solutions to complex problems.

Meaning and definitions:

A committee may be defined as a group of people performing some aspect of managerial function. It represents a group of persons to whom a matter has been committed. A committee is a body of persons appointed or elected to meet on an organized basis for the consideration of matters brought before it.

A committee is sometimes referred to as a board, Commissions, Task force or a Team. Whatever be the title used; its essential nature is the same. Committees are generally formed as formal bodies with a definite structure like Executive committee, Purchase Committee, Bonus Committee, Works committee, Safety committee, Medical Audit Committee, Pharmaceutical Committees, CPR Committees, Transfusion committee, Quality Assurance Core Committee and Grievance Committee etc. The Board of Directors constitutes an important committee at the highest level. It is a policy making, decision taking body.

9.4.1 The Purpose of Committees

The committees and task forces are set up for the following purposes:

- The committees are a good forum where organizational members freely exchange ideas.
- With the exchange of these ideas, some suggestions and recommendations can be generated that may prove useful to the organization.
- The existing problems in the organization can be discussed and some new ideas for solving these problems can be introduced.
- Some committees are specially formed to assist in development and establishment of organizational policies.

1.5. Advantages and disadvantages of Committees: Advantages:

1. **Pooling of opinions:** The members of committees come from different background and areas of expertise and have different viewpoints and values. When persons with varied abilities sit together and discuss a problem, various aspects of the case are highlighted and pros and cons are assessed.
2. **Better co-ordination:** Committee form of organization brings more co-ordination among different segments of the organisation when representatives of different departments sit together they understand and appreciate the difficulties faced by others.
3. **Balancing of views:** This type of organization helps in balancing the views expressed. There is a tendency to over emphasize the aspects of one's own department by ignoring inter dependent character of problems of different departments.
4. **Motivation:** The committees consist of managers as well as subordinates. The views of subordinates are given recognition and importance. It gives them encouragement and makes them feel as an integral part of decision making process.
5. **Dispersion of power:** The concentration of power in few persons may lead to misuse of authority and wrong decisions. By spreading powers among committee members this problem can be solved.
6. **Better acceptance of decision:** The decisions taken by committees are better accepted by subordinates. The decisions of an individual may be autocratic whereas committees decide in wider perspective of organization.
7. **Better communication:** It is a better form of discussing matters of mutual interest and

reaching certain conclusions. These decisions can be properly communicated to subordinates through committee members.

8. **Executive training:** Committees provide forum for training executives. They learn the value of interaction, group dynamics and human relations. They are exposed to various view points and learn the art of reaching decisions and solving organizational problems.

Disadvantages:

1. **Delay:** The main drawback of committee form of organization is delay in taking decisions. A number of persons express their view points in meetings and a lot of time is taken on reaching a decision. The fixing of committee meetings is also a time consuming.
2. **Compromise:** Generally, efforts are made to reach consensus decisions. The view point of the majority is taken as a unanimous decision of the committee. The thinking of the minority may be valid but it may not be pursued for being singled out.
3. **No accountability:** No individual accountability can be fixed if these decisions are bad. Every member of the committee tries to defend himself by saying that he suggested a different solution.
4. **Domination by some members:** Some members try to dominate in the committee meetings. They try to thrust their view point on others. The aggressiveness of some members helps them to take majority with them and minority view is ignored.
5. **Strained relations:** Sometimes relations among committee members or with others become strained. If some members take divergent stands on certain issues, some may feel offended. In case some issue concerning other persons is discussed in a committee and members taking stand use liked by those persons may offend them. The discussions in the meetings are generally leaked to employees.
6. **Lack of effectiveness:** The role of committees is not effective in all areas. The commitment may be useful where grievance redressal or interpersonal departmental matters are concerned. Committees may not be effective where policies are to be framed and quick decisions are required.

9.6. SUCCESSFUL OPERATIONS OF COMMITTEES

To ensure effective committee operation, the following guidelines are suggested;

- ❖ Define the scope, purpose and authority of the committee clearly
- ❖ Time and cost
- ❖ Personal prejudice undefined roles
- ❖ Logrolling (political interest and purposes)
- ❖ The strain on interpersonal relations
- ❖ Select committee members carefully and limit their number
- ❖ Provide training
- ❖ Evaluate its performance periodically.
- ❖ Provide sufficient budget
- ❖ Select an effective chairman with competence and experience
- ❖ Do the formal meeting agenda
- ❖ Prescribe proper procedures
- ❖ Better way to communication
- ❖ Provide appropriate and adequate assistance
- ❖ Take an follow-up
- ❖ Lack of effectiveness due to management dominations. Etc...

7.

9.7. SUMMARY

45 In this lesson the relative information of centralization and decentralization were presented. The decentralization refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points. It is concerned with the placement of authority with reference to responsibility. At the end of the lesson the concept of committee management and its

relative merits and demerits also presented.

9.8 KEYWORDS

- ❖ **Decentralization:** it refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points. Decentralization is considered with the placement of authority with reference to responsibility. It means dispersal of decision-making power to lower-levels of the organization. It implies the distribution of managerial authority of planning, directing, coordinating, controlling etc among executives at all levels in the organization.
- ❖ **Committees:** A committee may be defined as a group of people performing some aspect of managerial function. It represents a group of persons to whom a matter has been committed. A committee is a body of persons appointed or elected to meet on an organized basis for the consideration of matters brought before it.
- ❖ **Better co-ordination:** Committee form of organization brings more co-ordination among different segments of the organisation when representatives of different departments sit together they understand and appreciate the difficulties faced by others.
- ❖ **Better communication:** It is a better form of discussing matters of mutual interest and reaching certain conclusions. These decisions can be properly communicated to subordinates through committee members.
- ❖ **Delay:** The main drawback of committee form of organization is delay in taking decisions. A number of persons express their view points in meetings and a lot of time is taken on reaching a decision. The fixing of committee meetings is also a time consuming.

9.9 SELF-ASSESSMENT QUESTIONS

1. Define decentralization? Explain in briefly.
2. What is committee form of organisation? Why is it needed? Describe the advantages and weaknesses of this form.
3. Describe various steps for making committee form of organisation successful.

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LESSON-10 STAFFING

OBJECTIVES:

- To know the purpose of staffing
- To understand the recruitment process
- To explain the selection and its process
- To know the concept of training and development.
- Understand how fair performance appraisal methods can be used to monitor the development of human resources

STRUCTURE:

- 10.1 INTRODUCTION
- 10.2 NATURE AND IMPORTANCE OF STAFFING
- 10.3 RECRUITMENT
- 10.4 SELECTING
- 10.5 TRAINING AND DEVELOPMENT
- 10.6 PERFORMANCE APPRAISAL
- 10.7 SUMMARY
- 10.8 KEYWORDS
- 10.9 SELF-ASSESSMENT QUESTIONS
- 10.10 FURTHER READINGS

10.1 INTRODUCTION

A number of factors contribute towards the success of an enterprise. These factors include capital, equipment, and manpower. While these factors are important, the human factor is the most significant one, since it is the people who have to use all other resources. Without the productive efforts of its workers, the materials and resources would be of no use. Also, if the people who are in charge of these resources are not sufficiently qualified, then the utilization of these resources would not be optimum.

Meaning and definition of staffing:

Management is the art of getting done through people. The process of recruitment, selection, development, training, identifying, and assessing, placing, evaluating and developing people can be called staffing. Staffing has become one of the very important functions of management, along with planning, organizing, directing

and controlling. Staffing is more concerned with the human elements, which are dynamic in nature. But this job can introduce a lot of complexity and challenge also. Staffing has become very significant as it involves a lot of investment in the recruitment, selection training and placement of workers.

So to make the whole exercise meaningful, the best available people are to be secured, and their skills and abilities developed for the benefit of the organization. Staffing involves human resource planning, i.e. estimating the size and nature of the personnel required the recruitment and selection of the best candidates, training them effectively, inducting them, rewarding them and having regular and effective communication with them. It calls for comprehensive manpower planning. Manpower planning as a process includes job analysis, skills, inventory and personnel forecasting.

Every organization requires a number of persons for taking up different positions. The positions are created through the process of organization and their occupants help in achieving the business objectives. The persons occupying different positions should have the ability to meet their requirements. Staffing basically involves matching jobs and individuals. It may be defined as filling and keeping filled positions in the organization structure. This may require functions like manpower planning, recruitment, selection, training, development, performance appraisal, transfers, promotions etc. It is clear that staffing must be closely linked to organizing, that is, the setting up of intentional structures of roles and positions. Staffing involves making people suitable to jobs while organizing involves creation of job.

Staffing is considered to be the management of managers while personnel management involves plans, policies and procedures for operative positions. It is taken to be a separate function of management.

Staffing involves specialized knowledge and approach and allows more emphasis on human resource and its proper selection, training and development. Staffing refers to the managerial function of attracting, acquiring, activating, developing and maintaining human resources for achieving organizational goals efficiently.

According to **Mc Farland**, "Staffing is the function by which managers build an organizational through the recruitment, selection and development of individuals as capable employees."

According to **Koontz and O'Donnell**, "The managerial function of staffing is defined as filling positions in the organization structure through identifying workforce requirements, inventorying the people available, recruitment, selection, placement, promotion, appraisal, compensation and training of needed people."

So that, 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.

10.2 NATURE AND IMPORTANCE OF STAFFING NATURE:

- ❖ Staffing is a basic function management
- ❖ It is concerned with human resource management in the organization
- ❖ Staffing function is performed continuously.
- ❖ Every manager has to guide and train employees and also evaluate their performance on a continuous basis.
- ❖ The main purpose of this function is to make optimum utilization of human resources and also to provide proper satisfaction to employees
- ❖ Staffing is performed by all managers.
- ❖ In big concerns there is a separate personnel department to deal with this function, but even here this department advises line managers regarding different aspects of human resources.
- ❖ Since staffing deals with human beings who have their own needs, emotions and aspirations, this function is different from other managerial function.

- ❖ It cover all level personnel or people
- ❖ It is all pervasive

25 IMPORTANCE:

1. **Employing suitable persons:** The employment of suitable persons is essential for every enterprise. The procedure of recruitment, tests for selection and methods of training are decided by the staffing team. A properly laid down scheme will ensure the employment of right persons.
2. **Keep pace with new developments:** New developments are taking place everyday. A business will have to keep pace with new changes. This will be possible only if competent persons are employees who can adjust as per the new situation.
3. **Manpower development:** Manpower planning will have to be done in advance. The future requirements of personnel will be estimated quite in advance. The new staff will be recruited, people will be prepared for taking up higher responsibility jobs, all this will be possible only with a well planned staffing function.
4. **Optimum utilization of manpower:** The cost of recruiting, selecting and training the staff is very high. The remuneration is also paid at high rates. The manpower should be utilized to the maximum capacity. It will help in controlling cost also.
5. **Ensuring job satisfaction:** The staffing function will ensure job satisfaction to employees. The executives should be involved in decision-making process. They should also be suitably rewarded for their contribution to the organization. A good staffing function will devise methods which will ensure job satisfaction to everyone.

PURPOSES OF STAFFING

- ❖ It helps the organization achieve its goals
- ❖ It helps the organization employ the skills and abilities of work force efficiently
- ❖ It helps the organization in supplying well trained and motivated employees for goal accomplishment
- ❖ It helps employees enjoy a better quality of working life
- ❖ It helps the organization to provide several opportunities or advancement.

10.2.2 STAFFING PROCESS

The purpose of staffing is to employ most suitable and competent persons as per the requirements of the organization. With this aim in view the following staff process is followed:

1. **Estimating manpower needs or manpower planning:** The first thing in staffing process is to estimate manpower needs. These needs are influenced by the type and size of the organization. Total manpower requirements are properly assessed. The requirements for human beings are compared with that of the persons already available in the organization. Manpower planning includes:
 - ❖ **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.
 - ❖ **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.
 - ❖ **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.
2. **Recruitment and selection of staff:** Recruitment is the process of searching prospective employees and persuading them to apply in the organization. Selection is the procedure of spotting most suitable candidates out of those who are interested to get employment in the enterprise. The purpose of recruitment and selection is to employ right man for the right job.
3. **Training and development:** Training is meant to improve the skill and knowledge of employees. It is

beneficial to both employer and employees. A well trained worker improves his efficiency. A formal training will avoid the risk of trial and error and will also minimize the cost and wastage involved in training.

Development refers to the training of managerial staff. Through development, managerial staff does not increase its capabilities to perform the present work but also enhances their ability to meet challenges in future.

4. **Promotion and transfer:** Employees are promoted to higher ranks on the basis of their merit and seniority. Staffing also involves transfer of persons from one job to another, from one place to another place on the basis of their ability, competence and ability.
5. **Remuneration:** Remuneration is paid for the services of labour. Employee motivation mainly depends upon the wage and salary structure prevalent in an organization. Employees should be paid fair remuneration so that they feel encouraged to contribute maximum in their efforts.
6. **Performance appraisal:** After selecting and training an employer for a particular job, management would like to see how he performs high work. Performance appraisal is a systematic evaluation of employees contribution to the organization in performance of their jobs. Not only qualities but deficiencies are also evaluated to improve the performance of employees.

10.3 RECRUITMENT

An important operational activity to be taken up by staffing managers is recruitment. As people or personnel are required to staff the organization structure, recruitment comes to lime light. After ascertaining the manpower requirements through job analysis, the next process will be recruitment and selection. Recruitment is the process of identifying the sources for potential candidates and to motivate them to apply for jobs. Proper steps should be taken to have the right type of people in the right number and at the right time.

It should be ensured that the people selected will remain the organization. The right number of workers required for a concern depends upon the scale of operation, the degree of automation computerization and the work methods. Recruitment is the process of attracting qualified personnel, matching them with specific and suitable jobs, and assigning them to these jobs. Its aim is to develop and maintain adequate manpower resources upon which an organization can depend, when it needs additional employees.

Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. It is actually a linking function, joining together those with jobs to fill and those seeking jobs.

Definition of Recruitment

According to **Dale Yorder**, "Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an effective working force."

Edwin B. Filppo defines that "recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in an organization.

Briefly, recruitment is discovering competent people for actual or expected positions in the organizational structure. The above definitions may be summarized as under:

- ❖ It is not a single event activity.
- ❖ It is a positive one as it develops a pool of all competent persons
- ❖ Basic purpose of recruitment is to locate the requirement people
- ❖ Recruitment is a crucial and critical job as it has to reconcile several conflicting things and comply with a lot of legislative framework.

10.3.1 Principles of Recruitment

Recruitment should be based on certain principles.

1. Principle of procedure: a proper procedure should be established to conduct interviews and tests to find out the details of the candidates.
2. Principle of administrative convenience: the method of recruitment should be reasonable and without unnecessary complexities or undue delays.

10.3.2 Steps in recruitment process

The following steps are involved in the process of recruitment.

- ❖ Organizational goals/objective is to be carefully analyzed and understood.
- ❖ Manpower plans must be made ready.
- ❖ A beginning for recruitment is made where the manpower planning ends.
- ❖ Action plan preparation by the man power planner stating that demand forecast is greater than supply forecast implying that there is fresh need for personnel in the organization.
- ❖ Locating and developing the sources of required people is to be made.
- ❖ Prospective people with desired competencies are to be identified in these sources.
- ❖ Informing and inviting these competent people to apply for these positions in the organization.
- ❖ Attracting and enticing the candidates to think organization with some strategies in which the applications are possibly interested.
- ❖ Evaluating and approving this recruitment system from time to time based on the results and feedback.

10.3.3 SOURCES OF RECRUITMENT

Recruitment has to be done to get the right type of manpower needed. There are various sources to recruit people. But each such source has to be evaluated properly by main training records on the success or failure of various techniques, regarding the different types of employees recruited.

There are mainly two sources of recruitment which are effective

- ❖ Internal sources
- ❖ External sources.

1. **Internal sources:** it refers to the recruitment within the organization such as transfers and promotion. Recruitment can be made by transfer or by promotion. Promotion means elevating the position of an employee towards higher responsibilities enjoying increased authority and prestige. So, higher positions can be filled up by promotion. But, transfer involves the shifting of a worker from one job to another without involving any change in the responsibilities, rank and pay.

- ❖ Continuity of service and stability.
- ❖ Employees have a feeling of security
- ❖ Morale and motivation are high
- ❖ Fosters loyalty, integrity and honesty among the employees
- ❖ Familiarity with the organizational set up
- ❖ Encourages low grade worker to work forward to higher posts.

2. **External sources:** external sources are recruitment from outside. Resignation of employees, expansion of the company creation of new departments, death, retirement or dismissal of employees can create more job opportunities. In such cases recruitment has to be made from external sources.

Some of the sources of external recruitment include the following:

- **Active files of potential candidates kept in the organization:** These are the resumes of the candidates who had earlier applied but did not get selected. Similarly unsolicited applications may constitute a much used source of personnel. Such records can prove to be a good source if they are kept up to date.
- **Walk-ins and gate hiring:** These are potential candidates. Generally for lower level jobs who simply walk into the office and ask for a job. This method is especially useful for mass hiring of unskilled and semi-skilled workers.
- **Employment agencies:** Employment agencies may be public or private. The public employment

agencies are subsidized by the local governments and may provide a variety of services.

- **Advertising:** Advertising is a powerful technique to reach a wide audience and generally a potential target market. It is a most frequently used method and consists of a brief statement of the nature of the job and its requirements and the compensation paid. Want ads in the newspapers may be for ordinary jobs or for highly skilled and executive positions. More highly specialized recruiting ads that are not immediate in nature, are placed in technical and professional journals which reach a targeted market. One of the disadvantages of this method of recruitment is that there may be a large number of applicants for a few jobs, making the screening process very costly.
 - **Colleges, universities, and other educational institutions:** These include the technical and trade schools as well as alumni placement offices at colleges and universities. Some colleges have work-study programmes which provide an opportunity for students to work part-time while they finish college, after which, these students are normally absorbed by the companies. These sources are especially useful for recruiting into middle management positions, technical personnel, scientists, engineers and professional business positions like accountants, financial analysts, systems analysts, etc. Many colleges have career day forums at least once every semester where representatives of recruiting companies visit the campus to discuss matters of employment with potential graduates.
 - **Professional associations:** Professional associations keep their members informed about job opportunities through technical newsletters and professional journals. Some of them have their own placement services. They also publish placement bulletins from time to time and specially at the time of their annual meetings, conventions and conferences.
 - **Labour unions:** Labour and trade unions are a useful source of information, specially for manual workers, including unskilled, semi-skilled and skilled workers. These workers may be plumbers or electricians. In the construction industry, many contractors get their labour force from the local labour unions.
 - **Military processing centres:** This is an excellent source for highly disciplined veterans who have been trained as mechanics, welders, pilots, etc. These veterans may be retired officers or personnel who want to leave the army for civilian jobs. Many of the technicians and pilots for commercial jetliners were initially trained in the armed forces.
 - **Employee referrals:** These are friends and relatives of the present employees of the company. It is a useful source of recruitment, since the employees, for the sake of their own reputation, would only recommend people who they believe to be adequately qualified. If the current employees are highly satisfied in their jobs with an organization, they generally convey their feelings to others in the community, which will make it easier to attract employees from the community when the need arises. One drawback of the referral technique is that it encourages nepotism which may be at the cost of quality.
 - **Billboards at social and community centres:** These are primarily for nonprofessional lower level jobs, sometimes of temporary nature. These may be for babysitters, typists, waitresses, etc.
 - **Scouting:** Some company representatives are continuously in search for talent. Some recruiting firms have head hunters who specialize in pirating executives from one organization to another.
 - **Foreign consulates:** Many multinational companies, which are starting to operate in another country, advertise in that country's consulate to recruit native personnel who could be trained and sent to their own country. For example, a company in India which is looking for an American trained executive may advertise through the Indian Embassy, in America, either through a bulletin board at the Embassy or through the Embassy newsletter.
 - **Open house:** It is relatively a new technique of recruitment, where a company has an open house and it invites the members of the community to see the company facilities in an informal and social manner. This helps create a positive images of the company for any future personnel needs.
- Some of the advantages of external sources:**
- Wide supply of human resources

- New perspectives and fresh viewpoints can be introduced
- New experience, skill and technology can be introduced
- There can be a change in the outlook and habits.

10.4 SELECTION

Selection is the process of examining the applicants with regard to their suitability for the given jobs and choosing the best from the suitable candidates and rejecting the others. Selection plays a vital role in reducing costly labor turnover. Careful screening of all the applications is essential. Selection is a process of selecting the right persons with necessary skills, abilities and personality to fit in their respective jobs in the organization.

Definition of Selection:

According to **Harold Koontz** "Selection is the process of choosing from the candidates, from within the organization or from outside, the most suitable person for the current position or for the future positions."

According to David and Robbins "Selection process is a managerial decision-making process as to predict which job applicants will be successful if hired."

10.4.1 SELECTION PROCESS OR PROCEDURE

Selection includes a number of steps that are required to fill the vacancies of the organization. These steps are explained below in the form procedure/process:

1. **Preliminary Interview:** The screening interview/preliminary interview in which candidates are eliminated from the further selection process who do not reach the eligibility criteria prescribed by the organization. On the other side, we can say that unsuitable candidates rejected before proceeding with the next selection process.
2. **Receiving Applications:** When the individual qualifies for the preliminary interview he is required to fill in the application form according to given format. These involved the data related to the age, qualification, experience, etc of the candidate which helps the interviewer to get an idea about the candidate.
3. **Screening Applications:** After getting the applications these are screened by the screening committee, who then prepare a list of those applicants whom are appropriate for the interviews. Once the list is made, the qualified candidates are called for the interview by telephonically, e-mail, SMS.
4. **Employment Tests:** Mental ability and skill set of an individual is checked in this step, Such as intelligence tests, aptitude tests, psychological tests, personality tests, etc. Suitability of the candidate for the job is checked by these tests.
5. **Employment Interview:** In this step the interviewer asks questions from the applicant to discover more about candidate. By taking an interview, it is easier for the employer/ management to understand the candidate's expectations from the job.
6. **Checking References:** To cross-check the authenticity of the information provided by the candidate, the employers ask some questions from the references given by the candidates. These references may be from the education institute from where the candidate has completed his education or from his previous employment where he was worked before.
7. **Medical Examination:** Physical and Mental ability of the candidate are checked to ensure that he is able to performing the job or not. Thus, the medical examination is an integral step in the selection process because it helps in discover the applicant's physical ability to fulfill the job requirements.
8. **Final Selection:** Finally, the candidate is selected who clears the all steps of interview. Thus, the selection is a lengthy process because it includes several stages that an individual has to qualify before getting selected for the job.

10.5 TRAINING AND DEVELOPMENT

Training and Development is the continuous process of improving skills, gaining knowledge, clarifying concepts and changing attitude through structured and planned education by which the productivity and performance of the employees can be enhanced. Training and Development emphasize on the improvement of the performance of individuals as well as groups through a proper system within the organization which focuses on the skills, methodology and content required to achieve the objective. Good & efficient training of employees helps in their skills & knowledge development, which eventually helps a company improve its productivity leading to overall growth.

Training: training is the art of increasing the skill of a worker in doing work more effectively and efficiently and is essential for every type of worker. It refers to the transfer of know-how to the worker. It will change the level of work of the workers who are trained. A manager should develop a scheme of training of employees so that they can acquire the knowledge, skill, attitudes and understanding needed to perform their jobs effectively.

According to **Armstrong**, "Training is the formal and systematic modification of behavior through learning which occurs as a result of education, instruction, development and planned experience. Development is improving individual performance in their present Roles and preparing them for greater responsibilities in the future".

According to **Katz & Kahn**, "Training and development is described as a maintenance subsystem, intended to improve organizational efficiency by increasing reutilizations and predictability of behavior".

In the accordance to D.S.Beach, defines "the training as the organized procedure by which people learn knowledge and/or skill for a definite purpose"

10.5.1 Need for training:

- ❖ To increase productivity
- ❖ To improve quality
- ❖ To help a company fulfill its future personnel needs
- ❖ To improve organizational climate
- ❖ To improve health and safety
- ❖ Obsolesces prevention
- ❖ Personal growth

10.5.2. Principles of training:

- ❖ Principle of individual ability
- ❖ Principle of job analysis
- ❖ Principle of incentives
- ❖ Principle of combined effort
- ❖ Principle of trainer's training

10.5.3. Advantages of training:

- Training helps in the learning of job skills quickly by a worker.
- It helps in increasing the efficiency and performance standards of workers
- It decreases breakage and the rate of accidents
- Absenteeism and labour turnover will be reduced by.
- It helps in increasing the quantity and quality of output
- Standard procedures can be established for work performance
- Trained workers require less supervision
- The resources of the organization can be utilized effectively
- Employee morale will improve

- It will provide a good management development programme.
- It will improve the job status and pay of the workers
- It improves human relations in the organization

10.5.4. Types of training

- ❖ **Orientation training:** It is training which aims at acquainting the newly appointed employee with the procedures, rules, regulations and culture of the organization. It may range from the type of the business down to the attitudes of people.
- ❖ **Refresher training:** It is a special type of training designed exclusively for the existing workers to make them acquainted with the latest developments.
- ❖ **Apprenticeship training:** Many governments in different parts of the world have made it obligatory for employers to give apprentice training to youngsters. It is also a system of earn while you learn.
- ❖ **Internship training:** A business organization may have arrangements with professional or vocational institutions to impart practical knowledge to the students of such institutions. Advance theory is followed closely by practical experience on the job.

10.5.5. Methods of training:

There are two methods through which managers can improve their knowledge and skills. One is through formal training and other is through on the job experiences.

On the job training is very important since real learning takes place only when one practices what they have studied.

On-the-job Training (OJT) Methods:

This is the most common method of training in which a trainee is placed on a specific job and taught the skills and knowledge necessary to perform it.

On-the-job training methods are as follows:

- ❖ **Job rotation:** This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees.
- ❖ **Coaching:** Under this method, the trainee is placed under a particular supervisor who functions as a coach in training and provides feedback to the trainee. Sometimes the trainee may not get an opportunity to express his ideas.
- ❖ **Job instructions:** Also known as step-by-step training in which the trainer explains the way of doing the jobs to the trainee and in case of mistakes, corrects the trainee.
- ❖ **Committee assignments:** A group of trainees are asked to solve a given organizational problem by discussing the problem. This helps to improve team work.
- ❖ **Internship training:** Under this method, instructions through theoretical and practical aspects are provided to the trainees. Usually, students from the engineering and commerce colleges receive this type of training for a small stipend.

Off-the-job training Methods:

On the job training methods have their own limitations, and in order to have the overall development of employee's off-the-job training can also be imparted. The methods of training which are adopted for the development of employees away from the field of the job are known as off-the-job methods.

The following are some of the off-the-job techniques:

- ❖ **Case study method:** Usually case study deals with any problem confronted by a business which can be solved by an employee. The trainee is given an opportunity to analyse the case and come out with all possible solutions. This method can enhance analytic and critical thinking of an employee.
- ❖ **Incident method:** Incidents are prepared on the basis of actual situations which happened in different organizations and each employee in the training group is asked to make decisions as if it is a real-life situation. Later on, the entire group discusses the incident and takes decisions related to the incident on the basis of individual and group decisions.
- ❖ **Role play:** In this case also a problem situation is simulated asking the employee to assume the role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.
- ❖ **In-basket method:** The employees are given information about an imaginary company, its activities and products, HR employed and all data related to the firm. The trainee (employee under training) has to make notes, delegate tasks and prepare schedules within a specified time. This can develop situational judgments and quick decision making skills of employees.
- ❖ **Business games:** According to this method the trainees are divided into groups and each group has to discuss about various activities and functions of an imaginary organization. They will discuss and decide about various subjects like production, promotion, pricing etc. This gives result in co-operative decision making process.
- ❖ **Grid training:** It is a continuous and phased programme lasting for six years. It includes phases of planning development, implementation and evaluation. The grid takes into consideration parameters like concern for people and concern for people.
- ❖ **Lectures:** This will be a suitable method when the numbers of trainees are quite large. Lectures can be very much helpful in explaining the concepts and principles very clearly, and face to face interaction is very much possible.
- ❖ **Simulation:** Under this method an imaginary situation is created and trainees are asked to act on it. For e.g., assuming the role of a marketing manager solving the marketing problems or creating a new strategy etc.
- ❖ **Management education:** At present universities and management institutes give great emphasis on management education. For e.g., Mumbai University has started bachelors and postgraduate degree in Management. Many management Institutes provide not only degrees but also hands on experience having collaboration with business concerns.
- ❖ **Conferences:** A meeting of several people to discuss any subject is called conference. Each participant contributes by analyzing and discussing various issues related to the topic. Everyone can express their own view point.

10.5.6. DEVELOPMENT

Executive or management development is a planned process of learning and growth designed to bring behavioural change among the executives. It is continuous process of learning. It implies that there will be a change in knowledge and behavior of the individuals undergoing development programme. The employee will be able to perform his present job better and will increase his potential for future work.

Management development is a process in which managers working at different levels learn and improve their ability, capability, knowledge and skills for improving the performance of individual as well as organisation. The effectiveness of managers at work contributes a lot to the success of every organisation.

The managerial staff is prepared to improve their performance on present jobs and preparing them for further assignments also. Management development is a systematic process of training and growth by which managerial personnel gain and supply skills, knowledge, attitudes and insights to

manage the work in their organisations effectively and efficiently.

According to **Yoder**, It is a programme of training and planned personal development purporting to prepare and aid managers in their present and future jobs."

According to **Armstrong**, "Management development is a business led process. The business determines what kind of managers it requires to accomplish its strategic goals as well as how to obtain and develop such managers. Although there is stress of self-development, the business must indicate the directions towards which self- development should occur?"

In the opinion of Molander, "management development is a conscious and systematic process to control the development of managerial resources in the organisation for the achievement of goals and strategies."

10.5.7 Purpose of Development:

- ❖ To sustain better performance of managers throughout their careers.
- ❖ To improve the existing performance of managers at all levels.
- ❖ To encourage existing managers to increase their capacity to assume and handle greater responsibility.
- ❖ To enable the organisation to have the availability of required number of managers with the required skills to meet the present and anticipated (future) needs of the organisation.
- ❖ To replace elderly executives who have risen from the ranks by highly competent and academically qualified professionals.
- ❖ To provide opportunities to the executives to fulfil their career aspirations.
- ❖ To ensure that the managerial resources of the organisation are utilised optimally.

10.5.8. Components or Ingredients of Management Development Programme:

The essential components or steps of a comprehensive management development programme are discussed below under the following heads:

- Looking at organisation's objectives;
- Ascertaining development needs;
- Appraisal of present management talents;
- Preparation of Manpower Inventory;
- Planning of individual development programmes;
- Establishment of training and development programmes;
- Programme evaluation.

10.5.9 Main Differences between Training and Development

Points	Training	Development
1. Definition	Training is the process of teaching employees the basic skills they need to perform their jobs.	Management development refers to teaching managers and professionals to ease knowledge, skills, attitude

		needed for future jobs.
2. Present/Future	Training is present-day oriented.	Development is future day oriented.
3. Participant	Training programs are arranged for employees.	Development programs are arranged for executives.
4. Level	It is a lower-level learning program.	It is a higher-level learning program.
5. Area	Training is imbibed for enhancing much more skills and knowledge to the employees.	Development is imbibed for enhancing specific skills and knowledge to the executives.
6. Change	Skill level is changed through Training.	The behavior level is changed through Development.
7. Focused	Training is a narrower concept focused on job-related skills.	Development is a broader concept focused on personality development.
53 8. Aimed	Training is aimed at improving job-related efficiency and performance.	The development aims at overall personal effectiveness, including job efficiencies.
9. Instruction	Training refers only to instruction in technical and mechanical operations.	Development refers to philosophical, theoretical, and educational concepts.
10. Period	Training courses are typically designed for a short-term period.	Development involves a broader education for long-term purposes.

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10.6 PERFORMANCE APPRAISAL

Performance appraisal is also known as employee evaluation, merit rating, employee assessment, etc. It is a systematic process of appraising an employee's current and past performance relative to his/her performance parameters. The employee's performance should be based on organizational expectations and employee's actual performance. The idea that performance evaluation improves employee's performance is not a new one but it is seen in the roots of development of mankind. Each person is motivated when he is told about his actual performance and accepts what were his/her previous mistakes. Performance appraisal process may be held annually or monthly as per needed.

Meaning and definition of Performance Appraisal

Virtually all organizations have some sorts of means of appraising their employees. Performance Appraisal is one of the oldest, natural and most universal practices of Management. The basic purpose

of Performance Appraisal is to ascertain the behaviour of an employee anchored to performance and integrate with the organizational performance. It helps both the employers and employees to understand the responsibility in the organization. Performance appraisal system is focused to integrate the expectations i.e., performance, which gives a total clarity between the appraiser and appraisee. It is an instrument to create a conducive atmosphere in the organization. The purpose of any management is to build a very competitive and congenial work culture, which builds healthy competition, gives a sense of achievement to the employees and the stakeholders.

Performance appraisal system is the right instrument that plays a vital role directly or indirectly in achieving the above. It improves the interpersonal relationship among the employees and employers in the organization. It reflects an evaluative judgment of the traits, characteristics and the work performance of the employees on jobs. It is a continuous process to reach the desirous goal of not only the organization but also the employees.

Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semiannual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

According to Flippo, defines performance appraisal as, "performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job." Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future.

In the words of Cummings, "the overall objective of performance appraisal is to improve the efficiency of an enterprise by attempting to mobilise the best possible efforts from individuals employed in it. Such appraisals achieve four objectives including the salary reviews, the development and training of individuals, planning job rotation and assistance promotions."

10.6.1 Objectives of Performance Appraisal

Major objectives of performance appraisal are summarised below:

- To assist in promotions, transfers and lay off decisions.
- To make aware the employee about his actual performance.
- To meet organizational expectations with employees objectives.
- To assess the training and development needs of the employees.
- To plan job rotation.
- To improve communication between managers and subordinates.
- To assist in decisions regarding salary increases.
- To provide feedback and guidelines for employees for better performance.
- To instill activeness and inspiration or higher goals in employees.
- To determine HR programmes for selection, training and development and to evaluate their effectiveness.

10.6.2 PROCESS OF PERFORMANCE APPRAISAL

The process of performance appraisal involves several steps and they are delineated as follows:

1. **Preparation** – Preparation of all materials, noting down agreed tasks and recording of performance, achievements, incidents, reports etc - anything pertaining to performance and achievement - obviously include the previous performance appraisal documents and a current job description. A good appraisal form will provide a good natural order for proceedings. If the organization doesn't have a standard appraisal form then one has to locate standard appraisal form, or has to download and/or adapt the appraisal forms from standard websites. Whatever has been used, one has to ensure the necessary approval from his/her organization, and understand how it works. The paperwork to reflect the order of the appraisal and write down the sequence of items to be covered has to be organized.
2. **Intimation** – One has to inform the appraisee and ensure that appraisee is

informed of a suitable time and place (change it if necessary), and clarify purpose and type of appraisal he has to be given and give a chance to the appraisee to assemble data and relevant performance and achievement records and materials. If the appraisal form does not imply a natural order for the discussion then an agenda of items to be covered should be provided.

3. **Venue** – One has to ensure a suitable venue, which is planned and available private and free from interruptions - as with recruitment interviewing the same rules should be observed. One has to avoid hotel lobbies, public lounges, canteens - privacy is absolutely essential.

4. **Layout** - room layout and seating are important elements to preparation also one should not simply accept whatever layout happens to exist in a borrowed or hired room layout has a huge influence on atmosphere and mood - irrespective of content, the atmosphere and mood must be relaxed and informal - remove barriers one should not sit in the boss's chair with the other person positioned humbly on the other side of the desk; one must create a relaxed situation, preferably at a meeting table or in easy chairs sit at an angle to each other, 90 degrees ideally avoid face to face, it's confrontational.

5. **Introduction** – One has to relax the appraisee opens with a positive statement, smile, be warm and friendly the appraisee may well be terrified; it's one's responsibility to create a calm and non-threatening atmosphere. One has to set the scene - simply explain what will happen - encourage a discussion and as much input as possible from the appraisee tell them it's their meeting. The timings have to be confirmed, especially finishing time. If helpful and appropriate, one should begin with some general discussion about how things have been going, but one should avoid getting into specifics.

6. **Reviewing and measurement** – One has to review the activities, tasks, objectives and achievements one by one, keeping to distinct separate items one by one - avoid going off on tangents or vague unspecific views. If the person has done your preparation correctly he will have an order to follow. If something off-subject comes up then it should be noted down. He has to concentrate on hard facts and figures, solid evidence – avoid conjecture, anecdotal or non-specific opinions, especially about the appraisee. Being objective is one of the greatest challenges for the appraiser - as with interviewing, and he has to resist judging the appraisee in his own image, according to his own style and approach facts and figures are the acid test and provide a good neutral basis for the discussion, free of bias and personal views. For each item a measure of competence should be agreed, and according to whatever measure or scoring system is built into the appraisal system.

7. **Agreeing an action plan** - An overall plan should be agreed with the appraisee, which should take an account of the job responsibilities, the appraisee's career aspirations, the departmental and whole organization's priorities, and the reviewed strengths and weaknesses. The plan can be staged if necessary with short, medium and long term aspects, but importantly it must be agreed and realistic.

8. **Agreeing on specific objectives** - These are the specific actions and targets that together form the action plan. As with any delegated task or agreed objective these must adhere to the SMARTER rules - specific, measurable, agreed, realistic, time-bound, enjoyable, recorded. If not, one should not bother. The objectives can be anything that will benefit the individual, and that the person is happy to commit to. When helping people to develop, one should not be restricted to job-related objectives, although typically most objectives will be.

9. **Agreeing on necessary support** - This is the support required for the appraisee to achieve the objectives, and can include training of various sorts such as external courses and seminars, internal courses, coaching, mentoring, shadowing, distance learning, reading, watching videos, attending meetings and workshops, workbooks, manuals and guides; anything relevant and helpful that will help the person develop towards the standard and agreed task. Also one should consider training and development that relates to 'whole-person development' outside of job skills. This might be a hobby or a talent that the person wants to develop. Developing the whole person in this way will bring benefits to their role, and will increase motivation and loyalty.

10. **Inviting any other points or questions** – One must make sure to capture any

other concerns.

11. Becoming close - Thanking the appraisee for their contribution to the meeting and their effort through the year, and commit to helping in any way one can.

12. Recording main points, agreed actions and follow-up – One must swiftly follow-up the meeting with all necessary copies and confirmations, and ensure documents are filed and copied to relevant departments, (HR and one's own line manager typically).

10.6.3 METHODS OF PERFORMANCE APPRAISAL SYSTEM

One can classify the methods of performance appraisal under two categories- vis-à-vis, traditional and modern methods. Each method has been described briefly in the following paragraphs.

1. Traditional method

Followings are the main traditional methods:

- ❖ Essay appraisal method
- ❖ Straight ranking method
- ❖ Paired comparison
- ❖ Critical incidents method
- ❖ Field review
- ❖ Checklist method
- ❖ Graphic rating scale
- ❖ Forced distribution

2. Modern Methods (New concepts)

- ❖ Assessment centers
- ❖ Behaviorally anchored rating scales
- ❖ Human resource accounting method
- ❖ 360 Degree performance appraisal
- a. Self appraisal
- b. Superior's appraisal
- c. Subordinate's appraisal
- d. Peer appraisal.

10.6.4 BENEFITS OF PERFORMANCE APPRAISAL

The benefits typically claimed by those who defend or advocate performance appraisal systems include the following:

- 1. Feedback:** Performance appraisals provide employees with feedback regarding their performance, usually at least once a year and often on an interim basis during the year. This leads to reduced errors and waste, increased productivity, improved quality and service for customers, as well as enhanced employee motivation, commitment, and a sense of ownership.
- 2. Goal setting:** Performance appraisal sessions provide an opportunity for discussions that include setting work related goals and objectives for the individual as well as aligning individual and organizational goals.
- 3. Career management:** Performance appraisal sessions also provide opportunity for identifying training and development needs and discussing career progression opportunities.
- 4. Objective assessment:** Performance appraisals are made objective through uniform processes and criteria. This also results in a fair, valid, and legally defensible basis for rewarding and recognizing individual performance.
- 5. Legal protection:** Performance appraisals afford the corporation legal protection against employee lawsuits for discrimination and wrongful termination. A candid and perhaps blunt observer might add a final benefit: The formal performance appraisal system buttresses the organization's hierarchical authority system. It gives the supervising manager control over some of the carrots and sticks in what is essentially a carrot-and-stick management system.

10.7 SUMMARY

Staffing plays an important role in management. Staffing is normally called human resources management. It is concerned with human resource planning, recruitment, selection, training and development, performance appraisal etc. Need of the staffing function in management is to equip the organization with corporate mode and help it accomplish its goals.

10.8 KEYWORDS

- ❖ **Staffing:** it is considered to be the management of managers while personnel management involves plans, policies and procedures for operative positions. It is taken to be a separate function of management. Staffing involves specialized knowledge and approach and allows more emphasis on human resource and its proper selection, training and development.
- ❖ **Manpower planning:** The first thing in staffing process is to estimate manpower needs. These needs are influenced by the type and size of the organization. Total manpower requirements are properly assessed. The requirements for human beings are compared with that of the persons already available in the organization. It includes Job analysis, Job description and Job specification
- ❖ **Recruitment:** Recruitment is the process of searching prospective employees and persuading them to apply in the organization.
- ❖ **Selection:** it is the procedure of spotting most suitable candidates out of those who are interested in employment in the enterprise.
- ❖ **Training and development:** Training is meant to improve the skill and knowledge of employees. It is beneficial to both employer and employees. A well trained worker improves his efficiency. A formal training will avoid the risk of trial and error and will also minimize the cost and wastage involved in training. Development refers to the training of managerial staff. Through development, managerial staff does not increase its capabilities to perform the present work but also enhances their ability to meet challenges in future.
- ❖ **Job rotation:** This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees.
- ❖ **Role play:** In this case also a problem situation is simulated asking the employee to assume the role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.
- ❖ **Performance appraisal:** it is also known as employee evaluation, merit rating, employee assessment, etc. It is a systematic process of appraising an employee's current and past performance relative to his/her performance parameters. The employee's performance should be based on organizational expectations and employee's actual performance.

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10.9 SELF-ASSESSMENT QUESTIONS

1. What is staffing. Explain its importance to management.
2. Define recruitment? What are the sources of recruitment?
3. What is meant by selection? Explain its process?
4. Explain the concept of training and development?
5. Define performance appraisal. How it is better for the organization.

10.10 FURTHER READINGS

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LESSON-11 DIRECTING

OBJECTIVES: This lesson seeks to help you learn

- Directing Concept.
- Important and process of directing
- Principles of effective directing
- The main aspects or elements of direction

STRUCTURE:

1. Introduction
2. Nature of Directing
3. Importance of Directing
4. Principles of effective direction
5. Process of directing
6. The main aspects or elements of Direction
7. Summary
8. Keywords
9. Self-Assessment Questions
10. Further Readings

11.1 INTRODUCTION

Management is the art of getting things done through others. One of the main functions of a manager is to direct subordinates effectively. Directing is the heart of management function. All other functions of management such as planning, organizing, and staffing have no importance without directing. Leadership, motivation, supervision, communication are various aspects of directing. Directing is concerned with carrying out the desired plans. It initiates organised and planned action and ensures effective performance by subordinates towards the accomplishment of group activities. Direction is called management in action.

Meaning and definitions:

Directing means giving instructions, guiding, counselling, motivating and leading the staff in an organisation in doing work to achieve Organisational goals. Directing is a

key managerial function to be performed by the manager along with planning, organising, staffing and controlling. From top executive to supervisor performs the function of directing and it takes place accordingly wherever superior – subordinate relations exist. Directing is a continuous process initiated at top level and flows to the bottom through organisational hierarchy. Directing refers to a process or technique of instructing, guiding, inspiring, counselling, overseeing and leading people towards the accomplishment of organizational goals. It is a continuous managerial process that goes on throughout the life of the organization.

According to **Koontz and O'Donnell**, "Directing is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise's objectives."

According to **Urwick and Breach**, "Directing is the guidance, the inspiration, the leadership of those men and women that constitute the real core of the responsibilities of management."

According to **Haimann**, "Directing consists of the process and techniques utilizing in issuing instructions and making certain that operations are carried out as originally planned."

11.2 NATURE OR CHARACTERISTICS OF DIRECTION

1. **It is a dynamic function:** Directing is a dynamic and continuing function. A manager has to continuously direct, guide, motivate and lead his subordinates. With change in plans and organizational relationships, he will have to change the methods and techniques to direction.
2. **It initiates action:** Directing initiates organised and planned action and ensures effective performance by subordinates towards the accomplishment of group activities. It is regarded as the essence of management-in-action.
3. **It provides necessary link between various managerial functions:** Directing links the various managerial functions of planning, organizing, staffing and controlling. Without directing the function of controlling will never arise and the other preparatory functions of management will become meaningless.
4. **It is a universal function:** Directing is a universal function that is performed in all organizations and at all levels of management. All managers have to guide, motivate, lead, supervise and communicate with their subordinates, although more time is spent on directing at higher levels of management.
5. **It is concerned with human relationships:** The direction function of management deals with relationship between people working in an organization. It creates co-operation and harmony among the members of the group. It seeks to achieve orderly arrangement of group effort to provide unity of action in the pursuit of common objectives.

11.3 IMPORTANCE OF DIRECTING

The importance of directing can be understood by the fact that every action in the organization is initiated through directing only. Directing guides towards achievement of common objectives. Through directing, managers not only tell the people in the organization as to what they should do, when they should do and how they should do but also see that their instructions are implemented in proper perspective. Very often, this becomes an important factor in the efficient and effective functioning of the organization.

The points which emphasize the importance of directing are presented as follows:

- ❖ Directing helps to initiate action by people in the organization towards attainment of desired objectives. For example, if a supervisor guides his subordinates and clarifies their doubts in performing a task, it will help the worker to achieve work targets given to him.
- ❖ Directing integrates employee's efforts in the organisation in such a way that every individual effort contributes to the organisational performance. Thus, it ensures that the individuals work for organisational goals. For example, a manager with good leadership abilities will be in a position to convince the employees working under him that individual efforts and team effort will lead to achievement of organisational goals.
- ❖ Directing guides employees to fully realise their potential and capabilities by motivating and

providing effective leadership. A good leader can always identify the potential of his employees and motivate them to extract work up to their full potential.

- ❖ Directing facilitates introduction of needed changes in the organisation. Generally, people have a tendency to resist changes in the organisation. Effective directing through motivation, communication and leadership helps to reduce such resistance and develop required cooperation in introducing changes in the organisation. For example, if a manager wants to introduce new system of accounting, there may be initial resistance from accounting staff. But, if manager explains the purpose, provides training and motivates with additional rewards, the employees may accept change and cooperate with manager.
- ❖ Effective directing helps to bring stability and balance in the organisation since it fosters cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments.

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1.1. PRINCIPLES OF EFFECTIVE DIRECTION:

1. **Harmony objectives:** It is an essential function of management to make the people realize the objectives of the group and direct their efforts towards the achievement of their objectives. The principle implies harmony of personal interest and common interest.
2. **Unity of command:** This principle states that one person should receive orders from only one superior, in other words, one person should be accountable to only one boss. In the absence of unity of command, the authority is undermined, discipline weakened, loyalty divided and confusion and delays are caused.
3. **Unity of direction:** To have effective direction, there should be one head and one plan for a group of activities having the same objectives. In other words, each group of activities having the same objectives must have one plan of action and must be under the control of one supervisor.
4. **Direct supervision:** The directing function of management becomes more effective if the superior maintains direct personal contact with a subordinate. Direct supervision infuses a sense of participation among subordinates that encourages them to put in their best to achieve the organizational goals and develop an effective system of feed-back of information.
5. **Participative or democratic management:** The function of directing becomes more effective if participative or democratic style of management is followed. According to this principle, the superior must act according to the mutual consent and the decisions reached after consulting the subordinates.
6. **Effective communication:** To have effective direction, it is very essential to have an effective communication system which provides for free flow of ideas, information, suggestions, complaints and grievances.
7. **Follow-up:** In order to make direction effective, a manager has to continuously direct, guide, motivate and lead his subordinates. A manager has not only to issue orders and instructions but also to follow-up the performance so as to ensure that work is being performed as desired.

11.5. PROCESS OF DIRECTING

The process of directing involves:

- ❖ Guiding
- ❖ Coaching
- ❖ Instructing
- ❖ Motivating

Leading the people in an organisation to achieve organisational objectives. For examples:

- A supervisor explains a worker about operations to be carried by him on a lathe machine,
- A mining engineer explains about safety precautions to be followed while working in a coal mine,
- A Managing Director declares share in the profits to the managers for their contribution to enhance profits of the company, and
- A manager inspires his/her employees by playing a lead role in performing a work.

11.6 THE MAIN ASPECTS OR AN ELEMENT OF DIRECTION:

Considering of the all above and many other activities related to directing may broadly be grouped into six categories which are the elements of directing.

These are:

- (i) Issuing orders and instructions
- (ii) Supervision
- (iii) Motivation
- (iv) Leadership
- (v) Communication and
- (vi) Coordination

To know more about directing, these elements are discussed in detail.

11.6.1 Issuing orders and instructions: The first and foremost element of direction is to issue orders and instructions which are considered an essential step in the process of directing subordinates. An order is a fundamental tool for getting things done. Therefore, the orders and instructions reflect managerial decisions and initiate action on the part of subordinates. Orders may be general or specific, formal or informal, written or oral. Thus an order should serve the following characteristics:

- ❖ The order should be clear and complete.
- ❖ It should be reasonable and attainable.
- ❖ The order must be in tune with the various other objectives of the organization and also for the interests of the subordinates.
- ❖ All order should follow the chain of command.
- ❖ Face-to-face suggestions are preferable to long distance orders.
- ❖ It should be backed up by follow-up action.

11.6.2. Supervision- The term supervision can be understood in two ways. Firstly, it can be understood as an element of directing and secondly, as a function performed by supervisors in the organisational hierarchy. Supervision being an element of directing, every manager in the organisation supervises his/her subordinates. In this sense, supervision can be understood as the process of guiding the efforts of employees and other resources to accomplish the desired objectives. It means overseeing what is being done by subordinates and giving instructions to ensure optimum utilisation of resources and achievement of work targets.

Secondly, supervision can be understood as the function to be performed by supervisor, a managerial position in the organisation hierarchy at the operative level i.e., immediately above the worker. The functions and performance of the supervisor are vital to any organisation because he is directly related with workers whereas other managers have no direct touch with bottom level workers.

Importance of Supervision

The importance of supervision can be understood from multiple roles performed by a supervisor. These are explained below:

- ❖ Supervisor maintains day-to-day contact and maintains friendly relations with workers. A good supervisor acts as a guide, friend and philosopher to the workers.
- ❖ Supervisor acts as a link between workers and management. He conveys management ideas to the workers on one hand and workers problems to the management on the other. This role played by supervisor helps to avoid misunderstandings and conflicts between management and workers/employees.
- ❖ Supervisor plays a key role in maintaining group unity among workers placed under his control. He sorts out internal differences and maintains harmony among workers.
- ❖ Supervisor ensures performance of work according to the targets set. He takes responsibility for task achievement and motivates his workers effectively.
- ❖ Supervisor provides good on-the-job training to the workers and employees. A skilled and knowledgeable supervisor can build efficient team of workers.
- ❖ Supervisory leadership plays a key role in influencing the workers in the organisation. A supervisor with good leadership qualities can build up high morale among workers.

- ❖ A good supervisor analyses the work performed and gives feedback to the workers. He suggests ways and means of developing work skills.
- ❖ Supervisor, being the manager in a direct contact with the operatives, has got multifarious function to perform. The objective behind performance of these functions is to bring stability and soundness in the organization which can be secured through increase in profits which is an end result of higher productivity.

Therefore, a supervisor should be concerned with performing the following functions -

- ❖ Ensures issuing of instruction
- ❖ Optimum utilization of resources
- ❖ Discipline
- ❖ Feedback
- ❖ Improves communication
- ❖ Improves motivation
- ❖ Maintaining group unity

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Supervisor has got an important role to play in factory management. Supervision means overseeing the subordinates at work at the factory level. The supervisor is a part of the management team and he holds the designation of first line managers. He is a person who has to perform many functions which helps in achieving productivity. Therefore, supervisor can be called as the only manager who has an important role at execution level. There are certain philosophers who call supervisors as workers. There are yet some more philosophers who call them as managers. But actually he should be called as a manager or operative manager. His primary job is to manage the workers at operative level of management.

A supervisor plays multiplinary role at one time like

1. **As a Planner** - A supervisor has to plan the daily work schedules in the factory. At the same time he has to divide the work to various workers according to their abilities.
2. **As a Manager** - It is rightly said that a supervisor is a part of the management team of an enterprise. He is, in fact, an operative manager.
3. **As a Guide and Leader** - A factory supervisor leads the workers by guiding them the way of perform their daily tasks. In fact, he plays a role of an inspirer by telling them.
4. **As a Mediator** - A Supervisor is called a linking pin between management and workers. He is the spokesperson of management as well as worker.
5. **As an Inspector** - An important role of supervisor is to enforce discipline in the factory. For this, the work includes checking progress of work against the time schedule, recording the work performances at regular intervals and reporting the deviations if any from those. He can also frame rules and regulations which have to be followed by workers during their work.
6. **As a Counselor** - A supervisor plays the role of a counselor to the worker's problem. He has to perform this role in order to build good relations and co-operation from workers. This can be done not only by listening to the grievances but also handling the grievances and satisfying the workers.

Therefore, we can say that effective and efficient supervision helps in serving better work performance, building good human relations, creating a congenial and co-operative environment. This all helps in increasing productivity.

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- ❖ **Motivation**- The term motivation can be referred to as that process which excites people to work for the attainment of the desired objective. Among the various factors of production, it is only the human factor which is dynamic and provides mobility to other physical resources. Thus, in an overall sense, it becomes essential so as to motivate the human resources so as to keep the employees dynamic, aware and eager to perform their duty. Both the monetary and non-monetary incentives are given to the employees for motivation. Thus through motivation, the employees will perform better. Hence, it will help to

achieve the organizational goals and objectives. Features of motivation are: It is an emotional event, goal-directed behavior, and motivation in a difficult situation, active and it's a continuous process.

11.6.3. Leadership- Leadership is defined as influence, the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals. Leadership is a process by which an executive can direct, guide and influence the behavior and work of others towards accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal. Leadership is the potential to influence behaviour of others. It is also defined as the capacity to influence a group towards the realization of a goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the vision.

11.6.4. Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

It refers to an act of transferring facts, ideas, feeling, etc. from one person to another and making him understand them. A manager has to continuously guide and also at the same time, monitors his subordinates about what to do, how to do, and when to do various things.

Also, it is very essential to know their reactions. To do all this it becomes essential to develop effective telecommunication facilities. Therefore, the essential feature is to communicate with itself can be called by developing mutual understanding inculcates a sense of cooperation which builds an environment of coordination in the organization.

11.6.5. Co-ordination: co ordination involves the integration of various parts of the organization. In order to achieve goals of an enterprise. Both physical as well as mental coordination should be secured.

Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. It is a hidden force which binds all the other functions of management.

According to *Mooney and Reelay*, "Co-ordination is orderly arrangement of group efforts to provide unity of action in the pursuit of common goals".

According to *Charles Worth*, "Co-ordination is the integration of several parts into an orderly whole to achieve the purpose of understanding".

Coordination is the integration, unification, synchronization of the efforts of the departments to provide unity of action for pursuing common goals. The management of an organization endeavors to achieve optimum coordination through its basic functions of planning, organizing, staffing, directing, and controlling. Therefore, coordination is not a separate function of management because management is successful only if it can achieve harmony between different employees and departments. Here are some important features of coordination:

- It is relevant for group efforts and not for individual efforts. Coordination involves an orderly pattern of group efforts. In the case of individual efforts, since the performance of the individual does not affect the functioning of others, the need for coordination does not arise.
- It is a continuous and dynamic process. Continuous because it is achieved through the performance of different functions. Also, it is dynamic since functions can change according to the stage of work.
- Most organizations have some sort of coordination in place. However, the management can always make special efforts to improve it.
- Coordination emphasizes the unity of efforts. This involves fixing the time and manner in which the various functions are performed in the organization. This allows individuals to integrate with the overall process.
- A higher degree of coordination happens when the degree of integration in the performance of various functions increases.
- It is the responsibility of every manager in the organization. In fact, this is integral to the role of a manager because he synchronizes the efforts of his subordinates with others.

11.7. SUMMARY

The importance of directing can be understood by the fact that every action in the organisation is initiated through directing only. Directing guides towards achievement of common objectives. Through directing, managers not only tell the people in the organization as to what they should do, when they should do and how they should do but also see that their instructions are implemented in proper perspective. Very often, this becomes an important factor in the efficient and effective functioning of the organisation. Considering of the all above and many other activities related to directing may broadly be grouped into six categories which are the elements of directing. These are: Issuing orders and instructions, Supervision, Motivation, Leadership, Communication and Co-ordination

11.7 KEYWORDS

❖ **Directing:** It is an important managerial function of telling persons about what to do and seeing that they do it to the best of their ability. It is through directing that managers get the work done through people. Directing means giving instructions, guiding, and counseling, motivating and leading the staff in an organization in doing work to achieve Organizational goals. It is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise's objectives.

❖ **Issuing orders and instructions:** It is the first and foremost element of direction is to issue orders and instructions which are considered an essential step in the process of directing subordinates. An order is a fundamental tool for getting things done. Therefore, the orders and instructions reflect managerial decisions and initiate action on the part of subordinates. Orders may be general or specific, formal, informal, written or oral.

❖ **Supervision:** The term supervision can be understood in two ways. Firstly, it can be understood as an element of directing and secondly, as a function performed by supervisors in the organisational hierarchy. Supervision being an element of directing, every manager in the organisation supervises his/her subordinates. In this sense, supervision can be understood as the process of guiding the efforts of employees and other resources to accomplish the desired objectives.

❖ **Co-ordination:** It involves the integration of various parts of the organization. In order to achieve goals of an enterprise. Both physical as well as mental coordination should be secured. It is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. It is a hidden force which binds all the other functions of management.

11.8 SELF-ASSESSMENT QUESTIONS

1. Define Directing? Explain its nature and importance?
2. Explain the role of effective supervisor?
3. What are the principles of effective direction?

11.10 FURTHER READINGS

- Kootnz & O'Donnell, Principles of Management.
- Peter F. Drucker, Practice of Management
- J.S. Chandan, Management Concepts and Strategies.
- Arun Kumar & Rachana Sharma, Principles of Business Management.

LESSON-12

HUMAN BEHAVIOUR THEROY

OBJECTIVES:

This lesson seeks to help you to learn

- Human Behavioral Concept.
- Elton Mayo-human relations Hawthorne experiments
- Theory X and Theory Y

STRUCTURE:

- 12.1 INTRODUCTION
- 12.2 FACTORS INFLUENCING HUMAN BEHAVIOR
- 12.3 MARY PARKER FOLLET
- 12.4 DOUGLAS MCGREGOR
- 12.5 EDGAR SHIEN
- 12.6 ELTON MAYO
- 12.7 SUMMARY
- 12.8 KEYWORDS
- 12.9 SELF-ASSESSMENT QUESTIONS
- 12.10 FURTHER READINGS

12.1. INTRODUCTIONS:

Behavior is the study of the many factors on how individuals and groups respond to and act in organizations and how organizations manage their environment. Although many people assume that understanding human behavior organization is intuitive, many commonly held beliefs about behavior in organizations, such as the idea that every worker is a productive worker are either entire false or true only in specific situations. Behavior is affected by actors relating to the person, include;

- **Physical factors:** These are age, health, illness, pain, influence of substance or medication.
- **Personal and emotional factors:** These are personality, beliefs, expectations, emotions, mental health.
- **Life experiences:** This includes family, culture, friends and life events.
- What the person needs and wants.

The behavioral management theory is often called the human relations movement because it addresses the human dimension of work. Behavioral theorists believed that a better understanding of human behavior at work, such as motivation, conflict, expectations, and group dynamics, improved productivity.

The main aspects of human behavior are:

- | | |
|---------------|-------------|
| ❖ Psychology | ❖ Attitude |
| ❖ Personality | ❖ Emotions' |
| ❖ Interest | ❖ Wishes |

- ❖ Prejudice
- ❖ Stereotype
- ❖ Thinking and reasoning
- ❖ Frustration and adjustment
- ❖ Deviant behavior

12.2

FACTORS INFLUENCING HUMAN BEHAVIOR:

In order to address human factors in workplace safety settings, people's capabilities and limitations must first be understood. The modern working environment is very different to the settings that human have evolved to deal with. The following are human characteristics that can leads to difficulties interacting with the working environment.

- **Attention:** the modern workplace can overload human attention with enormous amounts of information far in excess of that encountered in the natural world, they in which lean information can help reduce demands on the attention, but can sometimes crate further problems.
- **Perception:** in order to interact safely with the world they must correctly perceive it and the dangers it holds. Work environments often challenge human perception systems and information can be misinterpreted.
- **Memory:** the capacity for remembering things and the methods imposes upon the access information often put undue procedure on human. Increasing knowledge about a subject or process allows us to retain more information relating to it.
- **Logical reasoning:** failures in reasoning and decision making can have sever implications for complex items.

12.3 **MARY PARKER FOLLET**

Mary Parker Follet was an American social worker and a management consultant. Follet is the pioneer of behavioral approach to management. She recognized the significance of the human element and attributed greater significance to the functioning of groups in workplaces. As per Follet, the critical role of managers should be to bring about constructive changes in organizations, following the principle of 'Power with rather than power over'.

She opined that power should not be based on hierarchical levels but should be collectively developed to foster a cooperative concept that involves superior and subordinates and enables them to work together as a team. Hence, the emphasis is more on power sharing. Organizations need to become democratic to accommodate employees work and managers. Employees work harder on their own recognitions recognize their individual motivation desires.

She formulated the following four principles of management:

1. **Principle of direct contact:** in an organization, the managers and other s who are involved in the completing of task must give direct contract with each other. It helps avoid long and time consuming communication channels.
2. **Principle of coordination in early stages:** any attempt of establishing coordination among the organizational members should start from the earliest stages of work flow. In other words, the members be the managers or others working at the lowest level of work flow should be allowed to participate in the process of coordination as early as possible once the activity starts.
3. **Principle of continuous process of coordination:** coordination is not a one time job or drive. In fact, it is an ongoing process to conduct the ongoing orchestra of organizational activities.
4. **Principles of situational authority:** according to Follet, the purpose of authority vesting with managers is not to gain dominance over others. Instead the main purpose of authority is to bring about integration and harmony in the functioning of an organization. Managers need to exercise the authority vested with them as per the situation emerges. Follet terms this as the law of the situation.

12.4 **DOUGLAS MC GREGOR (THEORY X AND THEORY Y)**

Douglas Murray McGregor classified the basic assumptions on human behaviour in to two parts and called these sets of propositions Theory X and Theory Y.

Mc Gregor's Theory X: these theory was indirectly conceived and applied by F.W.Taylor, but it was McGregor who stated Theory X in very clear terms.

In his own words, Theory X states, that:

Managers believe that employees inherently dislike work and must therefore be directed or even coerced into performing it. In this type of theory, workers generally shirk work and do not like to work. They avoid responsibility and need to be directed. The average man is by nature lazy and he works as

little as possible. He lacks ambition and dislikes responsibility. He is inherently self-centered, indifferent to organizational needs and he is by nature resistant to change and he is not very bright.

So this theory assumes that authority should be clear and flow directly from the superiors to subordinates without any reservation. It implies that management should be hard and strong. Close supervision and tight control of individual behavior has to be introduced as work by nature is distasteful and people will try to shirk work and responsibility. But if the management believes in this theory, it will result in a lot of problems.

Mc Gregor's theory Y: Manager assume that employees can view work as being as natural as rest or play and therefore the average person can learn to accept, and even seek responsibility. Good motivation makes workers readily accept responsibility and self-direction. Theory Y is basically a process of creating opportunities, releasing potential, removing obstacles, encouraging growth and providing guidance. It also provides for two way communication, participative management, decentralization and delegation of authority, emphasis on self-control, self-responsibility and self-discipline emphasis on satisfaction of higher-level needs and maximum scope for management development programmes. It also assumes that work is as natural as play, provided the conditions are favorable.

Theory X	Theory Y
Inherent dislike for work	Work is natural like rest or play
Unambitious and prefer to be directed by others	Ambitious and capable of directing their own behavior
Avoid responsibility	Accept and seek responsibility under proper conditions
Lack creativity and resist change	Creativity widely spread
External control and close supervision required to achieve organizational objectives	Self direction and self control
Centralization of authority and autocratic leadership	Decentralization and participation in decision making. Democratic leadership
People lack self motivation	People are self motivated

12.5 EDGAR SHIEN

Edgar Henry Schein born in 1928, renowned professor at the MIT Sloan School of Management who has studied extensively in the field of organization management.

According to Edgar organization do not adopt a culture in a single day, instead it is formed in due course of time as the employees go through various changes, adapt to the external environment and solve problems. They gain from their past experiences and start practicing it every day thus forming the culture of the workplace. The new employees also strive hard to adjust to the new culture and enjoy a stress free life.

Schein believed that there are three levels in an organization culture.

- ❖ **Artifacts:** The first level is the characteristics of the organization which can be easily viewed.

heard and felt by individuals collectively known as artifacts. The dress code of the employees, office furniture, facilities, and behavior of the employees, mission and vision of the organization come under artifacts and go a long way in deciding the culture of the workplace.

- ❖ **Values:** The next level according to Schein which constitute the organization culture is the values of the employees. The values of the individuals working in the organization play an important role in deciding the organization culture. The thought process and attitude of employees have deep impact on the culture of any particular organization what people actually think matters a lot for the organization. The mindset of the individual associated with any particular organization influences the culture of the workplace.

- ❖ **Assumed values:** The third level is the assumed values of the employees which can't be measured but do make a difference to the culture of the organization. There are certain beliefs and facts which stay hidden but do affect the culture of the organization. The inner aspects of human nature come under the third level of organization culture. Organizations where female workers dominate their male counterparts do not believe in late sittings as females are not very comfortable with such kind of culture. Male employees on the other hand would be more aggressive and would not have any problems with late sittings. The organizations follow certain practices which are not discussed often understood on their own. Such rules from the third level of the organization culture.

12.6 ELTON MAYO

Elton Mayo was born in Australia in 1880. Mayo worked from 1926-49 as a professor of Industrial Research at Harvard University. He is best known for his work based on the Hawthorn Studies (The Hawthorn studies were a large group of productivity studies conducted between 1927 and 1933 that collected large data sets.), as well as his book, *The Human Problems of an Industrialized Civilization*.

Elton Mayo of Harvard conducted a series of experiments at the Hawthorne plant the Western Electric Company, Chicago. The Hawthorne experiments clearly showed that the attitudes of workmen are basic factors in industrial relations as they influence both individual performance and group effort. They also revealed that the business organization is a social system, apart from being a technical economic system. It established that the worker was not only motivated by economic incentives, but also by diverse social and psychological factors. Increased satisfaction led to increased effectiveness. The Hawthorne experiments emphasized that emotions and non logical attitude and sentiments are more important in economic relationships than the logical economic factor.

Based on the Hawthorn studies, Mayo proposed that employees aren't that motivated by pay and environmental factors play a bigger role in productivity.

Mayo created this matrix to show how productivity changed in different situations.

There are four positions in the matrix:

1. **Groups with low cohesiveness and low norms:** these groups are simple ineffective in terms of productivity. A team like this wouldn't last very long. This is because nobody would be motivated to be productive in any way.
2. **Groups with high cohesiveness and low norms:** these types of teams have a negative impact on productivity. Here the team gets on great, but negative behaviors are encouraged rather than positive ones. Gangs are often cited as examples of this type of group.

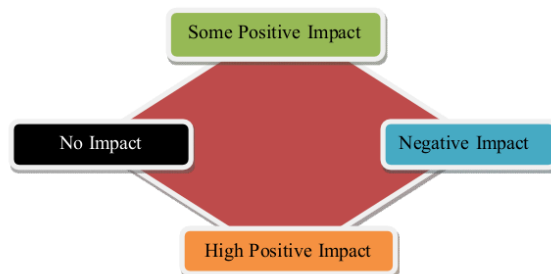


Fig: Mayo's Matrix

3. Groups with high norms but low cohesiveness: this type of team can have a limited positive impact on productivity. This is because each team member will be working towards their own success rather than that of the team. If one team member does something great, then good for them, but it doesn't really improve the productivity of the rest of the team.
4. Groups with high norms and high cohesiveness: these are the teams that can make the greatest positive impact on productivity. In this type of team, each team member supports each other to succeed. People are personally committed to their success and also to the team's success. A strong support network forms within this type of team.

Using the model:

To use the model to boost the productivity of team,

- ❖ Strong communication
- ❖ Group working
- ❖ Increased involvement

12.7. SUMMARY

In this lesson, it is endeavored to bring out the development of behavior theories consists of the contributions of several important management thinkers. Further, various study of behavior theories are also presented and Mc Gregor classified the basic assumptions on human behavior into two theories called Theory X and Theory Y.

12.8 KEYWORDS

- ❖ **Behavior:** Behavior is what a person does. It depends on the personality of person and his environment.
- ❖ **Mary Parker Follet:** Follet is the pioneer of behavioral approach to management. She recognized the significance of the human element and attributed greater significance to the functioning of groups in workplaces. She opined that power should not be based on hierarchical levels but should be collectively developed to foster a cooperative concept that involves superior and subordinates and enables them to work together as a team.
- ❖ **Theory X:** Also called autocratic managers. They are inherent dislikes, among average persons for work and will to avoid work if possible. Hence to make them put maximum effort towards goal achievement. They need to be coerced, monitored, forced, unduly influenced etc.
- ❖ **Theory Y:** also called as participative managers. They work as natural as play or rest. The degree of commitment to the objectives is in proportion to size of the rewards associated with the achievement. And all people are creative and imaginative with self disciplined.
- ❖ **Artifacts:** The first level is the characteristics of the organization which can be easily viewed, heard and felt by individuals collectively known as artifacts. The dress code of the employees, office furniture, facilities, and behavior of the employees, mission and vision of the organization come under artifacts and go a long way in deciding the culture of the workplace.
- ❖ **Hawthorne effect:** Employees try to group together to improve performance or to change their behavior due to their team spirit and positive relations. Elton Mayo of Harvard conducted a series of experiments at the Hawthorne plant the Western Electric Company, Chicago. The Hawthorne experiments clearly showed that the attitudes of workmen are basic factors in industrial relations as they influence both individual performance and group effort.

12.9 SELF-ASSESSMENT QUESTIONS

1. Define human behavior? Explain various factors influencing to human behavior?
2. Write a note on Elton Mayo Hawthorne experiments to behavioral approaches?
3. Discuss Theory X and Theory Y.
4. Explain any of the two human behavioral theories.

12.10 FURTHER READINGS

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LESSON-13

MOTIVATION

OBJECTIVES:

This lesson seeks to help you learn:

- Concept of motivation
- Identify importance of motivation in modern organization
- know the theories of motivation

STRUCTURE:

- 13.1 INTRODUCTION
- 13.2 SIGNIFICANCE OF MOTIVATION
- 13.3 PROCESS OF MOTIVATION
- 13.4 THEORIES OF MOTIVATION
- 13.5 MASLOW'S NEED HIERARCHY
- 13.6 HERZBERG'S TWO-FACTOR THEORY
- 13.7 SUMMARY
- 13.8 KEYWORDS
- 13.9 SELF-ASSESSMENT QUESTIONS
- 13.10 FURTHER READINGS

13.1 INTRODUCTION

Every management tries to coordinate various factors of production in such a way that their contribution is maximum in achieving organizational goals. The performance of non-human factors like machines etc. will depend upon the level of technology and the competence of those who use them. To improve the overall performance in a business it becomes essential to increase the efficiency of human beings. The performance of a person depends upon two factors, i.e.

- Ability to do work, and
- Motivation. Both these factors taken together will increase the efficiency of human beings.

Meaning and definition

Motivation is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will enable the increased output of employees but a negative motivation will reduce their performance.

According to Michael J. Julius, "Motivation is the act of stimulating someone or oneself to get the desired course of action."

According to Koontz and O'Donnell, "Motivation is a general term applying to the entire class of drives, desires, needs, wishes and similar forces."

March and Simon says that "Motivation is the process or the reaction which takes place in the memory of individuals. It refers to the combination of forces or motives maintaining human activity."

According to Berelson and Steiner "A motive is an inner state that energizes, activates, or moves and directs or channels behaviour goals."

In the views of **Lillis** "It is the stimulation of any emotion or desire operating upon one's will and promoting or driving it to action."

According to **Vance** "Motivation implies any emotion or desire which so conditions one's will that the individual is properly led into action."

Motivation is a psychological phenomenon which generates within an individual. A person feels the lack of certain needs, to satisfy which he feels working more. From definitions given earlier the following inferences can be derived:

- Motivation is an inner feeling which energizes a person to work more.
- The emotions or desires of a person prompt him for doing a particular work
- There are unsatisfied needs of a person which disturb his equilibrium
- A person moves to fulfill his unsatisfied needs by conditioning his energies
- There are dormant energies in a person which are activated by channelizing them into actions.

13.2 IMPORTANCE OF MOTIVATION

Management tries to utilize all the sources or production in a best possible manner. This can be achieved only when employees co-operate in this task. The motivated employees become an asset to the organization. The following is the importance of motivation:

1. **High performance:** Motivated employees will put maximum efforts for achieving organizational goals. The untapped reservoirs of physical and mental abilities are tapped to the maximum. Better performance will also result in higher productivity. The cost of production can also be brought down if productivity is raised.
2. **Low employee turnover and absenteeism:** When the employees are not satisfied with their job then they will leave it whenever they get an alternative offer. The dissatisfaction among employees also increases absenteeism. When the employees are satisfied with their jobs and they are well motivated by offering them financial and non-financial incentives then they will not leave the job.
3. **Better industrial relations:** A good motivational system will create job satisfaction among employees. The employment will offer those better service conditions and various other incentives. There will be an atmosphere of confidence among employers and employees.
4. **Better organizational image:** Those enterprises which offer better monetary and non-monetary facilities to their employees have a better image among them. Such concerns are successful in attracting better qualified and experienced persons. Motivational efforts will simplify personnel functions also.
5. **Acceptability to change:** The changing social and industrial situations will require changes and improvements in the working of enterprises. There will be a need to introduce new and better methods of work from time to time. When the employees are given various opportunities of development then they can easily adapt to new situations. If the employees are satisfied with their work and are not offered better avenues then they will oppose everything suggested by the management.

When a manager wants to get more work from his subordinates then he will have to motivate them for improving their performance. They will either be offered incentive for more work, or may be in space of rewards, better reports, recognition etc., or he may instill fear in them or use force for getting desired work. The following are the types of motivation:

- ❖ **Positive motivation:** Positive motivation or incentive motivation is based on reward. The workers are offered incentives for achieving the desired goals. The incentives may be in the shape of more pay, promotion, recognition of work etc. The employees are offered the incentives and try to improve their performance willingly.
- ❖ **Negative motivation:** Negative or fear motivation is based on force or fear. Fear causes employees to act in a certain way. In case, they do not act accordingly then they may be punished with demotions or lay-offs. The fear acts as a push mechanism. The employees do not willingly co-operate, rather they want to avoid the punishment.

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13.3. PROCESS OF MOTIVATION:

- ❖ **Unsatisfied need:** motivation process begins when there is an unsatisfied need in a human being.
- ❖ **Tension:** The presence of unsatisfied need gives him tension.
- ❖ **Drive:** this tension creates an urge of drive in the human being and he starts looking for various alternatives to satisfy the drive.
- ❖ **Search behavior:** after searching for alternatives the human being starts behaving according to chosen option.
- ❖ **Satisfied need:** after behaving in a particular manner for a long time then he evaluate that whether the need is satisfied or not
- ❖ **Reduction of tension:** after fulfilling the need the human being gets satisfied and his tension gets reduced.

13.4 THEORIES OF MOTIVATION:

It has always been tried to find out the factors which motivate employees the most. There has been no satisfactory answer until today. Various researches have been undertaken to find out motivating factors but no generalization could be reached. The motivators differ from time to time, place to place and situation to situation and person to person. Some scholars have devised different theories which are good under given situations. Some important theories of motivation have been discussed here:

Theories of Motivation:

- Abraham Maslow's need hierarchy theory
- Frederic Herzberg's two factor theory
- Victor Vroom's Theory
- David C Mc Clelland need for achievement theory
- Porter and Lawler
- William Ouchi's theory Z of motivation

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13.5 ABRAHAM MASLOW'S NEED HIERARCHY THEORY

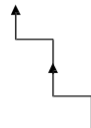
Motivation is influenced by the needs of a person. There is a priority of certain needs over others. The importance of needs will influence the level of motivation. A.H. Maslow, an American social scientist, has given a framework that helps to explain the strength of certain needs. He has categorized human needs into five categories. He is of the opinion that a person tries to achieve first category first and then moves on to the next and so on.

This is the most well-known theory of motivation of Abraham Maslow, a clinical psychologist. A basic assumption of this model is that as we satisfy one type of need, other needs then occupy our attention. Once we satisfy our need for food, air and shelter, then we can move on to safety needs, love needs and so on. Although Maslow argued that most people tend to experience these needs in the order that he described, for some people, the so-called higher-level needs will dominate lower-level needs. Some people will be so enthralled by a book or a movie that they will forget they are really hungry. Maslow described the hierarchy of needs as follows:

These needs are discussed as follows:

Self actualization

Esteem needs



Social needs



Security needs



Physiological needs

Fig: Maslow's need hierarchy

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1. **Physiological needs:** These needs are most essential for the survival and maintenance of body. These include food, clothing, drinking, shelter, rest, exercise, etc. A man will try to satisfy these needs first. Unless physiological needs are satisfied no other needs will motivate him. Once these needs are satisfied then these will cease to motivate him and he will want to satisfy the other needs.
2. **Safety needs:** Once physiological needs are satisfied then safety needs take the precedence. These are the needs to be free from physical danger and the fear of loss of job, property, shelter, etc. One would like to be free from economic worries like loss of job, sickness, old age pension etc. The physical safety against murder, accident, fire, etc. is also essential. The physical and economic needs act as motivators up to the time they are not properly met.
3. **Social needs:** Since people are human beings, they need to belong, to be accepted by others. When social needs become dominant, human being will strike to have meaningful association with others. In an organization workers may form informal groups for exchange of ideas. If management tries to have close supervision and control then workers may revolt against such environment.
4. **Esteem or ego needs:** The needs are concerned with self-respect, self-confidence, feeling of being unique, recognition etc. the satisfaction of these needs brings confidence, power, control and prestige. Some of the social problems have their roots in the unfulfillment of these needs.
5. **Self fulfillment or actualization needs:** Self-fulfillment is the highest need in Maslow's hierarchy. This refers to the need which helps an individual to develop his potentialities. He tries to do whatever he can and has a sort of self-development. A person tries to do whatever he is capable of doing. He tries to bring out something hidden in him. The self-fulfillment needs give satisfaction to the person concerned and are good for the society also.

13.6. HERZBERG'S MOTIVATION: (Two-Factor Theory)

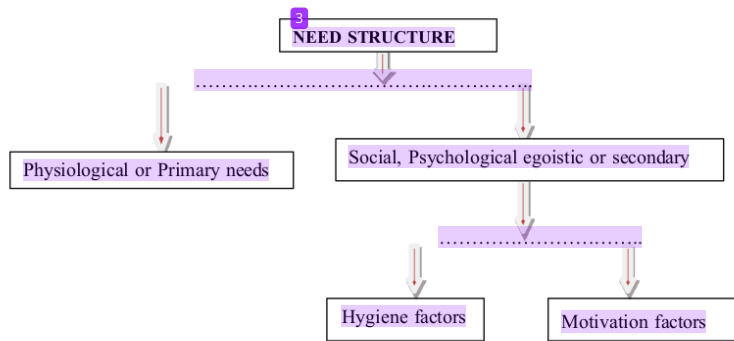
Frederick Herzberg proposed a two-factor theory or the motivator-hygiene theory in 1959. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction.

According to Herzberg, the opposite of "Satisfaction" is "No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction".

The priority of needs characterizes the type of behaviour. The satisfaction of some needs may not have positive effect on motivation but their non-satisfaction may act as a negative factor. A question arises as to what types of needs are important for improving motivation. Fredrick Herzberg and his associates conducted a study of need satisfaction of 200 engineers and accountants employed by firms in and around Pittsburgh.

The persons were asked to describe a few previous job experience in which they felt exceptionally good or exceptionally bad about jobs. The influence of these experiences on job was also studied.

Herzberg concluded that there were two sets of conditions. First type of conditions, described as maintenance or hygiene factors, do not motivate employees by their presence but their absence dissatisfies them. The other conditions, called motivational factors, operate to build strong motivation and high job satisfaction, but their absence hardly process strongly dissatisfying.



13.2.1 Maintenance or hygiene factors:

These were called maintenance or hygiene factors since they were necessary to maintain current status i.e., reasonable level of satisfaction. These factors are more dissatisfied by their absence but their presence will not motivate.

Herzberg named hygiene factors:

- Company policy and administration
- Technical supervision
- Inter-personal relations with supervisor
- Inter-personal relations with peers
- Inter-personal relations with subordinates
- Salary
- Job security
- Personal life
- Work relations with subordinate's status.

13.2.2 Motivational factors:

The presence of these factors builds high motivation and job satisfaction. However, if these conditions are not present, they do not cause dissatisfaction. These factors are the motivators which are essential to increase the productivity of the employees. They are also known as satisfiers and they are concerned with the job itself rather than the environment.

There are six factors:

- Achievement
- Recognition
- Advancement
- Work itself
- Possibilities of personal growth
- Responsibility.

Herzberg pointed out that managers have been very much concerned with hygiene factors only. They could not enlist the full co-operation of employees by increasing salaries etc. They did not realize the importance of motivating factors. The employees are motivated by the content of the job. The satisfaction which an employee will derive from the job will go to increase his output.

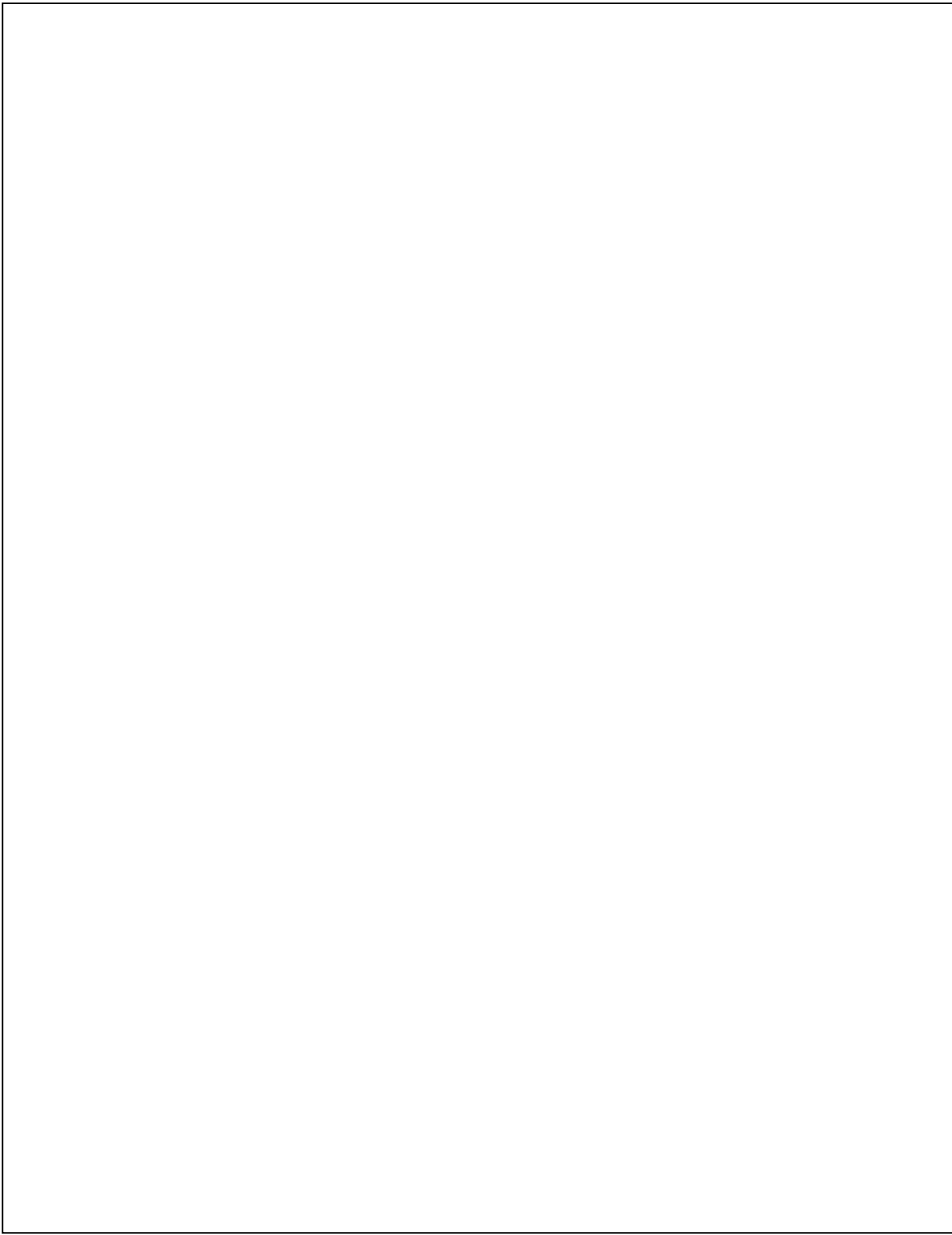
13.2.3 VICTOR VROOM'S THEORY

Victor Vroom is a psychologist. Vroom, while attacking Herzberg's two-factor theory, offered an expectancy approach to the understanding of motivation. His theory explains three concepts of valence and expectancy. People's motivation is dependent upon the value that is attached to the outcome of the efforts multiplied by the confidence that they have that their efforts will help them attain their ends aimed at. In other words, motivation is the product of anticipated value of the goal and the probability to attain the goal. In Vroom's terms it is stated as

$$\text{Force (F)} = \text{Value (V)} \times \text{Expectancy (E)}$$

Where

- ❖ **Force** is the strength of person's motivation
- ❖ **Valence** is strength of a person's preference for an outcome. It represents the value or significance of an outcome for a person, e.g. increased salaries, promotion.
- ❖ **Expectancy** is the probability that a particular way may lead to an expected outcome. It refers to the extent to which such efforts will lead to the first-level outcome.



Vroom's theory explains how the goals of individuals influence their efforts and that the behavior individuals select depends upon their assessment of the probability that the behavior will take with success towards the goals. To conclude, Vroom emphasized the significance of individual perceptions and assessments of organizational behavior.

13.2.4 DAVID C MC CLELLAND NEED FOR ACHIEVEMENT THEORY

This theory was developed by David McClelland and his associates. The theory focuses on three needs, defined as follows:

1. **Need for achievement (nAch):** it is the drive to excel, to achieve in relation to a set of standards, to strive to succeed. McClelland has identified four basic features of high achievers:
 - ❖ Always ready to take risks.
 - ❖ Provide immediate feedback
 - ❖ Accomplish the task easily on time.
 - ❖ Preoccupation the task till its completion.
2. **Need for Power (nPow):** it is the need to manipulate others or the drive for superiority over others. People with high power need have a great concern for exercising influence and control.
3. **Need for Affiliation (nAff):** It is a need for open and sociable interpersonal relationships. In other words, it is a desire for relationship based on co-operation and mutual understanding. Such individuals are effective performers in a team. These people want to be liked by others. They prefer having friends rather than experts as work partners, and they avoid conflict whenever possible.

13.2.5 PORTER AND LAWLER

Lyman Porter and Edward Lawler theory of motivation is based on the assumption that rewards cause satisfaction and that sometimes performance produce rewards. They hypothesize that the relationship between satisfaction and performance is linked by another variable rewards. They see good performance leading to reward which lead to satisfaction. It is a multivariable model and explains the complex of relationship among motivation, performance and satisfaction.

The theory proposed two types of reward:

1. **Intrinsic reward:** intrinsic rewards are given to an individual by himself for good performance. They include feelings of accomplishment and satisfaction of higher level needs as defined by Maslow, intrinsic reward are directly related to good performance only if the job structure is varied and challenging so an individual can reward himself if he feels he has performed well.
2. **Extrinsic rewards:** these rewards are given by the organization and satisfy mainly lower level needs. They include such things as pay, promotion, status and job security. Extrinsic reward are weakly connection to performance.

13.2.6 WILLIAM OUCHI'S THEORY Z OF MOTIVATION

William Ouchi proposed Theory Z as an alternative theory of organizational behavior.

Theory Z organizational culture comprises three major characteristics

1. Trust
2. Subtlety and
3. Intimacy

Theory Z outlines a complete transformation of the motivational principles underlying high performance organizations and implies a revolutionary change in management practices. The main characteristic features of the theory is as follows:

- ❖ Long term employment emphasis on training
- ❖ Seniority based rewards
- ❖ The Ringi system of collective decision making
- ❖ Emphasis on self discipline

- ❖ Holistic concern for employees and their families.

13.7. SUMMARY

Motivation is an act of stimulating employees by providing incentives and encouragement. Workers should be persuaded, inspired and motivated for contributing their best efforts in achieving the objectives of the organization, to motivate people effectively, managers should prepare certain plans. There are plans, strategies or theories of motivation. Of all the function of management, motivation is the most important one.

The basic point is that an organization requires people to accomplish organizational goals but he people are motivated people. Motivated people are fully committed to the organization, To say whether people are motivated or not can be understood by verifying whether people are wholeheartedly involving themselves in organizational activities or not.

Maslow's and Herzberg's theories are popular in motivating people. McClelland and Vroom also contributed a lot on this subject.

13.8 KEYWORDS

- **Motivation:** motivation is the drive to satisfy want or goal, and satisfaction is experienced when the outcome has been achieved. A person might have high job satisfaction, but level of motivation for the job, or the reverse. Hence Motivation is the act of stimulating someone or oneself to get the desired course of action.
- **Positive motivation:** Positive motivation of incentive motivation is based on reward. The workers are offered incentives for achieving the desired goals. The incentives may be in the shape of more pay, promotion, recognition of work etc. The employees are offered the incentives and try to improve their performance willingly.
- **Physiological needs:** These needs are most essential for the survival and maintenance of body. These include food, clothing, drinking, shelter, rest, exercise, etc. A man will try to satisfy these needs first. Unless physiological needs are satisfied no other needs will motivate him. Once these needs are satisfied then these will cease to motivate him and he will want to satisfy the other needs.
- **Esteem or ego needs:** The needs are concerned with self-respect, self-confidence, feeling of being unique, recognition etc. the satisfaction of these needs brings confidence, power, control and prestige. Some of the social problems have their roots in the unfulfillment of these needs.
- **Hygiene factors:** These were called maintenance or hygiene factors since they were necessary to maintain current status i.e., reasonable level of satisfaction. These factors are more dissatisfied by their absence but their presence will not motivate. Company policy and administration, technical supervision, inter-personal relations with supervisor, inter-personal relations with peers, inter-personal relations with subordinates, salary, job security, personal life and work relations with subordinate's status.
- **Theory Z:** It outlines a complete transformation of the motivational principles underlying high performance organizations and implies a revolutionary change in management practices.

13.9 SELF-ASSESSMENT QUESTIONS

1. Define Motivation. Bring out the importance of motivation.
2. Explain Maslow's theory of Needs theory.
3. Discuss Herzberg's theory of motivation?
4. How can you motivate your people? List the do's and don'ts that you may come to know of?

13.10 FURTHER READINGS

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LESSON-14**LEADERSHIP AND COMMUNICATION****OBJECTIVES:**

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This lesson seeks to help you learn:

- Know the concept of leadership
- Understand the various leadership styles and theories
- The concept of communication
- Process of communication
- Barriers in communication
- Principles of effective communication

STRUCTURE:14.1 **CONCEPT OF LEADERSHIP**14.2 **LEADERSHIP STYLES**14.3 **THEORIES OF LEADERSHIP**14.4 **COMMUNICATION-CONCEPT**14.5 **COMMUNICATIONS IMPORTANCE AND ITS PROCESS**14.6 **BARRIERS AND PRINCIPLES OF EFFECTIVE COMMUNICATION**

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14.7 **SUMMARY**14.8 **KEYWORDS**14.9 **SELF-ASSESSMENT QUESTIONS**14.10 **FURTHER READINGS**

1

14.1 CONCEPT OF LEADERSHIP

Leadership is an important element of the directing function of management. Wherever, there is an organised group of people working towards a common goal, some type of leadership comes essential. Leadership is the ability to build up confidence and zeal among people and to create an urge in them to be led. To be a successful leader, a manager must possess the qualities of foresight, drive initiative, self-confidence and personal integrity. Different situations may demand different types of leadership.

Leadership meaning and Definitions:

Leadership is the art or influence or process of influencing people in order that they may strive hard willingly and enthusiastically towards the achievement of group goals. It is the

process of directing and influencing the task related activities of the group members.

According to **Koontz and O' Donnell**, "Leadership is the ability of a manager to induce subordinates to work with confidence and zeal."

According to **George R. Terry**, "Leadership is the activity of influencing people to strive willingly for group objectives."

According to **Mary Parker Follet**, "The power of leadership is the power of integrating. The leader stimulates what is best in us; he unites and concentrates what we feel only groupingly and shatteringly. He is a person who gives form to the uncoarctate energy in everyman. The person who influences me most is not he who does great deeds, but he who makes me feel that I can do great deeds"

In the views of **Stephen P. Robins**, "Leadership is the ability to influence a group towards the achievement of goals"

14.1.1 NATURE AND CHARACTERISTICS

An analysis of the definitions cited above reveals the following important characteristics of leadership:

- Leadership is a personal quality
- It exists only with followers. If there are no followers, there is no leadership.
- It is the willingness of people to follow that makes person a leader
- Leadership is a process of influence. A leader must be able to influence the behaviour, attitude and beliefs of his subordinates
- It exists only for realization of common goals
- It involves readiness to accept complete responsibility in all situations
- Leadership is the function of stimulating the followers to strive willingly to attain organizational objectives
- Leadership styles do change under different circumstances
- Leadership is neither bossism nor synonymous with management

14.1.2 QUALITIES OF A GOOD LEADER

The qualities of successful leadership are so varied that it is difficult to define them. However, based on the conclusions from the studies of leadership research, we have tried to enlist them under three broad heads, viz.,

1. Personality Traits
2. Knowledge and ability
3. Skills

Personality Traits:

- **Character:** integrity and sincerity beget trust.
- **Intelligence:** A leader should be intelligent enough to tackle the situations carefully.
- **Will power:** A leader should have the strength to take difficult decisions, and the moral courage and self-confidence to carry out the decisions whatever is the obstacle.
- **Judgment:** A leader should be an shrewd judge of men and matters.
- **Fellow-feeling:** Flexibility of mind and resourcefulness
- **Mental and physical energy:** the leader must be capable of covering a wide area of activities.
- **Tact and humor:** A tactless leader is a bull in a China shop. A good leader is a good tactician. Tact is a sine qua non in human relations, in the art of dealing with people.
- The true leader takes an abiding interest in his followers as individuals with their own sentiments and aspirations. Good faiths, enthusiasm and drive to stability of emotions. **Knowledge and Ability:**

- **Education:** A business leader should have a good educational background. He must have a wide range of interests and aptitudes.
 - **Technical competence:** The ability to plan, organize, delegate, analyze, make decisions, the capacity to control and co-ordinate the group efforts- all these traits of technical excellence distinguish a competent leader.
 - **Teaching ability:** A good leader is a good teacher too.
- Skills**
- Problem-solving and decision-making skill
 - Communication skills
 - Human relation skills
 - Social skills
 - Administrative skills

14.2 LEADERSHIP STYLES

The term leadership style refers to the constituent behavior pattern of a leader as perceived by people around him. The leadership style is the result of the philosophy, personality and experience of the leader. It also depends upon the types of followers and the conditions prevailing in an organization. According to their attitude and behavior patterns leaders may be classified as follows:

1. **Autocratic or authoritarian style leader:** An autocratic, also known as authoritarian style of leadership implies yielding absolute power. Under this style, the leader expects complete obedience from his subordinates and all decision-making is centralized in the leader. There is no participation by subordinates in decision-making process. No suggestions or initiative from subordinates is entertained. All decisions, major or small are taken by the leader and subordinates are forced to obey them without questioning. An autocratic leader is, in fact, no leader. He is merely the formal head of the organisation and is generally disliked by the subordinates.

This style is identified with the following features:

- ❖ He commands
- ❖ He expects compliance
- ❖ He is dogmatic
- ❖ He leads with ability to withhold
- ❖ He gives reward and punishments
- ❖ He holds power/authority for decision making
- ❖ He closely supervises and controls
- ❖ He makes his followers depend on him etc.

2. **Democratic or participative style leader:** The democratic or participative style of leadership implies compromise between the two extremes of autocratic and laissez-faire style of leadership. Under this style, the leader acts according to the mutual consent and the decisions are reached after consulting the subordinates. Subordinates are encouraged to make suggestions and take initiative. Mutual trust and confidence is also created resulting in job satisfaction and improved morale of workers.

This style is identified with the following features:

- Decisions are taken after consulting subordinates
- There is a delegation of authority
- Decentralization is followed in decision making process
- There is a two way communication.
- Encourages participation
- Co-operation of subordinates is taken in making important decisions
- Feelings, attitudes, suggestions of subordinates are considered.

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15

3. Laissez-faire or free-rain style leader: Under this type of leadership, maximum freedom is allowed to subordinates. They are given free hand in deciding their own policies and methods and take their own decisions. The leader provides help only when required by his subordinates otherwise he does not interfere in their work. This style of leadership creates self-confidence in the subordinates and provides them an opportunity to develop their talents. Such leadership can be employed with success where subordinates are competent, sincere and self-disciplined.

This style is identified with the following features:

- There is no minimum interference from the leaders
- Leader helps only when requested for.
- Individuals are allowed to plan their work.
- There is free and informal environment
- Decisions may be taken by majority
- Control is exercised with less interference and supervision

1 Leader is passive observer

4. Bureaucratic or rules-centered leadership: It is a type of leadership where everything is influenced by rules, regulations and procedures. The leader sets up a procedure for adhering to the rule book. All decisions are taken on the basis of rules and regulations. No deviation of set principles is allowed under all situations. The employees are not encouraged to take initiatives. Over dependence on rules and procedures brings red tapes in the working.

This style is identified with the following features:

- Dependence on rules and regulations
- Decisions are taken in a framework of rules and procedures
- There is too much of paper work and always a desire to play safe
- Subordinates perform jobs in a mechanical way.
- New ideas and initiatives are not encouraged

• There are delays in taking decisions

5. Manipulative leadership style: Under this style the leader tries to achieve organizational goals by exploiting the weak points of employees. The needs and aspirations of employees are used as tools for achieving organizational objectives. The employees are explained through different means for extracting more and more work from them and not compensating them for their additional efforts. Employees generally resent this type of leadership. There is a feeling of distrust when the manipulative nature of the leader is evident and the employees feel cheated. **Suitability:**

- When co-operation of employees is needed urgently for a specific task.
- When the project are of short durations
- When long-term relationship may not be required.

6. Paternalistic style leader:

This style of leadership is based upon the sentiments and emotions of people. A paternalistic leader is like a father figure to the subordinates. The leader looks after the needs and aspirations of subordinates and also helps their families. He helps, guides and protects all of his subordinates but they do not grow under him. The subordinates become dependent on the leader.

6. Blake and Mouton's Managerial Grid

Blake and Mouton of the University of Texas developed a two-dimensional concept of leadership style called 'Managerial Grid', built on the work of the Ohio State and Michigan Studies—to explain leadership behaviour.

They pointed out that leadership style is a blend wherein task-oriented and relation-oriented behaviour are mixed in different degrees. The two-dimensional model and five different types of leadership styles are shown in following figure.

In the grid, the X-axis represents the 'concern for production' while the Y-axis represents the 'concern for people'. Concern for production means the managerial attitudes about the volume of output, procedures and efficiency of work, etc.

And, concern for people refers to the degree of personal commitment, responsibility based on trust and satisfying inter-personal relations, self-esteem of the workers, etc. A manager is concerned with both the task and the people as he has to get things done through people.

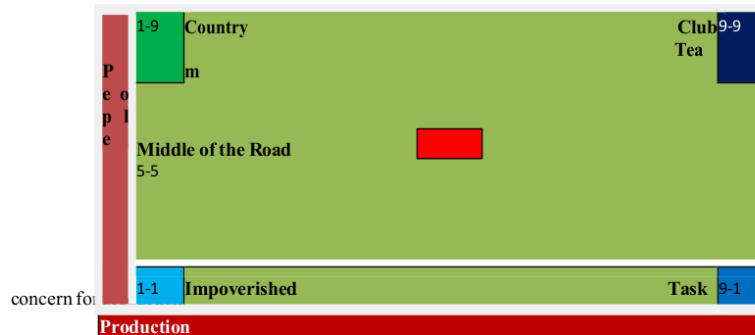


Fig: Blake and Mouton's Managerial Grid

The managerial grid identifies five combinations of these two factors. The five leadership styles are explained below:

- 1. Impoverished (1-1) Management Style:** In this style, the manager shows less concern for both production and people. It implies the manager's less interest in the position. In this situation minimum effort is needed for getting the work done and sustaining organisation membership. The leader acts as an observer, avoiding controversy and confrontation. So this leader has a little concern for both production and people.
- 2. Country Club (1-9) Management Style:** Under this style the manager is highly concerned with the people. He tries to establish close personal relationship. Adequate attention to the needs of people leads to a comfortable organisation environment and work culture. The leader has maximum concern for people and minimum concern for production. Hence this style reflects minimum concern for production and maximum concern for people.
- 3. Middle of the Road (5-5) Management Style:** In this case, the manager gives emphasis on both production and relationship with the people. Proper organisation performance is possible through balancing the necessity of getting work done through maintaining morale of the people at a satisfactory level. The leader balances tasks with concern for people through compromise. This style reflects a very

18 moderate concern both people and production.

4. **Task (9-1) Management Style:** In this situation, the manager is mainly concerned with production and has little concern for people. He gives emphasis on getting the tasks done to increase production. The task is well-planned and the authority is well-defined. This is the task-oriented or autocratic style of leadership. The leader leads the people with instructions and discipline. So that this style is mainly concerned with production and attaining maximum production at all costs.

5. **Team (9-9) Management Style:** In this case, the manager has maximum concern for both production and people. This is the team leadership style in which the leader consults with his team and harmonises organisational goals. Work performed by committed people and inter-dependence through common organisational goals leads to the relationships of trust and respect. This style is considered to be the best leadership style. This style is considered best and ideal one as there are maximum concerns for production and people as well.

Managerial grid approach helps the managers to identify their own leadership styles. It is a useful framework for assessing the styles of leadership. It has been used successfully in improving the attitudes and behaviour of people throughout an organisation.

This approach is very popular among the managers. But it is highly controversial among the theorists who consider it to be only a tool, not a theory of leadership—because it lacks empirical evidence. According to their opinion, it is an attitudinal and conceptual description of leadership. It does not point out the reason for failure of a manager in one part of the grid or the other.

14.3. THEORIES OF LEADERSHIP

Different authors hold different views on the qualities that are considered essential for effective leadership. The main theories or approaches that have evolved have been discussed in brief here:

1. **The trait theory:** This approach represents the earliest notions of leadership and until upto three decades ago this approach was very popular. According to this theory, there are certain personal qualities and traits which are essential to be a successful leader. The advocates of this theory are of the opinion that persons who are leaders are psychologically better adjusted to display better Judgment and to engage themselves in social activities. Most of the trait theories believe that leadership traits are inherited and in-born and these cannot be acquired by learning. Many researchers have given their views on the type of qualities that are considered essential for effective leadership.

Henry Fayol divided these qualities into physical, mental, moral, educational, technical and experience.

Ordway Tead has given a list of ten qualities:

- | | |
|-------------------------------------|-----------------------|
| 1. Physical and nervous energy | 6. Technical mastery |
| 2. A sense of purpose and direction | 7. Decisiveness |
| 3. Enthusiasm | 8. Intelligence |
| 4. Friendliness and affection | 9. Teaching skill and |
| 5. Integrity | 10. Faith |

2. **Charismatic leadership theory:** Charisma is a leadership trait that can influence employees to take early and sustained action. It is a form of interpersonal attraction of a leader that inspires support and acceptance from others. Charismatic leadership theory, also called great man theory by some, can be traced back to ancient times. Plato's Republic and Confucius' Analects dealt with leadership. These authors provided some insights of leadership. Charisma is a Greek word which means Gift. Charismatic leaders are those who inspire followers and have a major impact on their organizations through their personal vision and energy.

Robert House's theory of charismatic leadership developed a set of testable propositions concerned with identifying the traits of charismatic leaders, the behaviors of these leaders and the conditions under which such leaders may emerge.

Assumptions:

- Leadership in general and great leaders in particular have some exceptional inborn leadership qualities which are a gift from the god.
- These inborn qualities are sufficient for a leader to become successful.
- Since a leader has some inborn qualities, these cannot be enhanced through education and training.
- The qualities of a leader are of personal nature, these cannot be shared by others

➤ These qualities make a leader effective and situational factors do not have any influence Charismatic leadership theory has certain limitations. If we assume that leadership qualities are inborn in a person then it implies that nothing can be done in an organization to develop leaders. It is a fact that leaders can be developed, though not great leaders, through proper education, training, development programmes etc.

3. **The behavioral theory:** The shortcomings of the trait theory led to a significant change in the emphasis of leadership approach. This shift in emphasis began to focus an attention on the actual behavior and actions of leader as against personal qualities or traits of leaders. The good behavior of the leader raises the morale, builds up confidence and spirit among the team members and the lack of good behavior will discard him as a leader. As a matter of fact, several theories were developed during 1950s and 1960s that approached leadership from the standpoint of actual behavior of leaders. But the behavioral theories also suffer from certain limitations.

4. **The situational theories:** The situational theories emphasis not on personal qualities or traits of a leader, but upon the situation in which he operates. The advocates of this approach believe that leadership is greatly affected by a situation and maintain that leadership pattern is the product of situation at a particular time. The situational theory of leadership suffers from the drawback that it fails to consider the fact that in the complex process of leadership, individual qualities and traits of the leader also play an important role.

5. **The follower theory:** The shortcomings of the trait theory, the behavioral theory, and the situational theory influenced certain researchers to focus their attention on the followers. According to this theory, the essence of leadership is followership and it is the willingness of people to follow that makes a person a leader. The members of a group tend to follow only those whom they recognize as providing means for achieving their personal desires, wants and needs. The best thing will be to integrate the various theories to study leadership pattern. To conclude, we can say that effective leadership depends on the traits of the leader, situation and the type of the followers.

14.4 COMMUNICATION- CONCEPT

Communication is transfer of some information, understanding, ideas, emotions, etc from one person to another person and again for that another person to that one person who is first to inform. Communication involves some exchange of facts, ideas, and opinions, emotions by two or more people. The purpose that communication seeks to achieve is to motivate or influence the behavior. Communication is very much important in management as management is getting things done by or through others.

Meaning and definition of Communication:

The word communication has been derived from the Latin word 'communis' which means 'common' which indicates common understanding. It is understood as a process of exchange of ideas, views, facts, feelings etc., between people to create common understanding. According to Peter Drucker, "a manager does not handle people; he motivates, guides and organizes people to accomplish their goals"

According to Harold Koontz & Henz Wehrich, "Communication is transfer of information from the sender to the receiver with the information being understood by the receiver."

According to Rogers, "Communication is a process by which people create and share information with one another in order to reach common understanding"

It was largely the work of Chester Barnard in the late 1930s that highlighted communication as a dynamic force in shaping organizational behaviour. He considered it as one of the three important elements of an organization along with common purposes and willingness to serve. He also linked communication with his concept of authority. The authority, in a classical organization, flows down through the channels of communication. The authority can lose its meaning if the channels of communication are blocked or if the communication is misunderstood or if the strength of communication is diluted.

Accordingly, he proposed seven communication guidelines that are a function of objective authority.

These are:

1. The channels of communication must be clearly set and be known to all.
2. Every member of the organization should be reached by some channel of communication.
3. The line of communication should be as direct as possible.
4. There should be no blockage in the line of communication and the complete formal line should be used.
5. The communicator should be highly skilled in the art of communication.
6. The line of communication should be constantly kept open.
7. Every communication should be authenticated.

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

According to G.G. Brown, "Communication is transfer of information from one person to another, whether or not it elicits confidence. But the information transferred must be understandable to the receiver"

According to Newman & Summer, "Communication is defined as an exchange of facts, ideas, opinions or emotions by two or more persons."

In the words of W.R. Spriegel, "most of the conflicts in business are not basic but are caused by misunderstood motives and ignorance of facts.' Proper communication between interested parties reduces the points of friction and minimizes those that inevitably arise"

Accordingly, by proper communication and sharing of information, the management takes the employees into confidence and makes them more knowledgeable about problems and policies of the enterprise. The scope for a two-way means of consulting and exchanging facts, opinions and ideas between management and employees pertains to:

- ❖ Knowledge of policies and objectives of an enterprise
- ❖ Knowledge of results and achievements from these policies
- ❖ Knowledge of plans and prospects for the future
- ❖ Knowledge of conditions of service
- ❖ Knowledge of ways and means for improving efficiency and productivity
- ❖ Knowledge of all aspects of industrial safety, health and welfare

14.5. IMPORTANCE OF COMMUNICATION

Communication is all pervasive and every manager and non manager requires communication in an organizational setting. It is not magnification if it is said that management is effective only when communication is effective. Organizational managers do not realize their obligations unless there are some people committed to motivate, lead and convince that there is a need to join hands and work together for the achievement of organizational goals.

The following are the importance of communication:

- It helps the subordinates in better planning by identifying the weaknesses and merits of the plans.
- Decisions are improved by effective communication as communication makes the larger participation possible.
- Communication helps in improving the motivation as the feedback provides an opportunity to the manager to understand the feelings, behavior, temperament, capabilities and limitations in better way.
- Communication improves the public relations as it helps in minimizing the misunderstandings and doubts.
- Communication helps in integrating the people and an aid to coordination.
- Communication process transmits ideas, decisions and orders of managers on one hand and receives response, reaction of subordinates on the other.
- Communication renders the complexity of business intelligible and workable

14.5.1 PROCESS OF COMMUNICATION

Following are the models which are used to understand communication process:

A. **Shannon-Weaver Model:** This model is specially designed to develop the effective communication between sender and receiver. Also they find factors which affecting the communication process called "Noise". The model deals with various concepts like Information source, transmitter, Noise, channel, message, receiver, channel, information destination, encode and decode.

Elements of the model:

- ❖ **Information Source:** selection of desired message from all the messages.
 - ❖ **Transmitter:** he changes the messages into signal.
 - ❖ **Channel:** medium through which signals are transmitted.
 - ❖ **Receiver:** he decodes the message from the signal.
 - ❖ **Destination:** to whom the message was originally intended.
 - ❖ **Noise:** any interference with the message travelling along the channel which may lead to the signal received being different from that send.
- B. **Berlo model (S-M-C-R Model):** This model is also known as dynamic process model.
1. **Source:** Source is the originator of the message. The source encodes his message with the help of:
 - **Communication skills:** It is the individual's skill to communicate (ability to read, write, speak, listen etc...)
 - **Attitude:** The attitude towards the audience, subject and towards one self.
 - **Knowledge:** The knowledge about the subject one is going to communicate
 - **Social system:** The Social system includes the various aspects like values, beliefs, culture, religion and general understanding of society. It is where the communication takes place
 - **Culture:** Culture of the particular society also comes under social system.
 2. **Message:** When an individual converts his thoughts into words. A message is created. It contains contents, elements, treatment, structure and code.
 3. **Channel:** It actually refers to the medium how the information flows from the sender to the receiver. It is nothing but the five senses. The five senses which we use are
 - Hearing
 - Seeing
 - Touching
 - Smelling

➤ Tasting

4. **Receiver:** it is the one who receives, understands, analyses, and interprets the message. It is also known as the listener, audience, or the decoder. According to Berlo's model, communication will take place properly if the receiver is on the same level with the sender.

C. **Transactional Process Model:** This model is based on the social approach of organizational behavior. The reciprocal determinism of social learning is very similar to transactional approach of communication.

Step-1

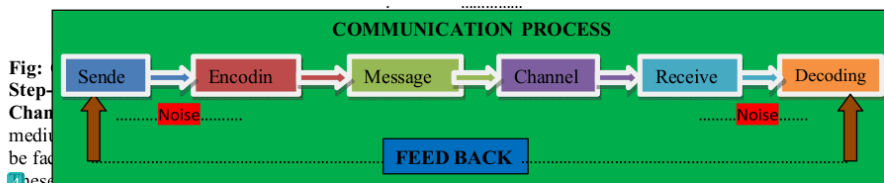
Sender: This starts with sender. On the part of the sender, there must be some idea, information, instruction, etc to be transformed to the other person called receiver of the communication.

Step-2

Encoding: It is the process of using verbal or non verbal symbols for sending the message. Words, gestures, symbols etc may be used by the managers.

Step-3

Message: This is in fact the information that sender intends to pass on to receiver.



- ❖ Organization structure
- ❖ flow of information and
- ❖ On the basis of medium of transmission.

A. As per Organisation Structure

- i. **Formal Communication:** Formal communication is based on formal organizational relationships. All have to follow the prescribed system only. In an organization structure, for example, the Sales Manager can communicate to Production Manager only through his immediate superior say General Manager and not directly. This system of communication is called formal communication system.

Advantages of Formal Communication:

- ❖ It locates the responsibility.
- ❖ Helps in maintaining secrecy.
- ❖ It strengthens the authority-responsibility relationship.

Disadvantages of Formal Communication:

- ❖ It leads to delay in decision making.
- ❖ It affects the quality of information given at various levels.
- ❖ Faces difficulty in fixing the responsibilities.

- ii. **Informal Communication:** Informal Communication emerges out of the social interactions among the people. Informal communication spreads information fast. It also leads to Rumors which is a fast passenger. This system is called grapevine. Grapevine communication may follow different type of networks.

Some of these networks are shown in fig. given below:

- **Single Strand network:** each person communicates to the other in sequence.
- **Gossip network:** each person communicates with all on non-selective basis.
- **Probability network:** the individual communicates randomly with other individual.
- **Cluster network:** the individual communicates with only those people to whom he trusts. This is the most popular network amongst the four.

14.1.1.1.1 Communication Channels as per Flow of Information

- a. **Upward Communication:** It is often called “bottom-up” communication. The direction of flow of this communication is pointed from bottom (lowest) level to successively higher levels in the organizations. The subordinates use upward communication to convey their problems and performances to their superiors. Grievance Redressal System, Complaint and Suggestion Box, Job Satisfaction surveys etc. all help improving upward communication.
- b. **Downward Communication:** It is frequently called as “top-down” communication. In this communication channel normally instructions are issued to subordinates to carry out the work. **Downward communication is used by the managers for the following purposes -**
 - Providing feedback on employees performance
 - Orders and instructions about job.
 - Directions about understanding the job.
 - Organizational policies and procedures.
 - Communicating the mission and vision to the employees.

Organizational publications, circulars, letter to employees, group meetings etc are all examples of downward communication.

- c. **Horizontal Communication:** Horizontal communication is also called as “cross communication”. It is the flow of information between persons of the same hierarchical level. Managers have to be in constant touch with one another and communicate speedily and effectively about the plan of action and attain organizational goals.

C. As per Medium of Communication

4. **Oral Communication (Verbal Communication):** Oral means by spoken words, i.e. by speech. Following are the ways of verbal communication:

- Face to face discussion
- Telephone, intercom. Mobile phone
- Meeting, conference
- Announcement

Advantages of Oral Communication

- It is direct, simple, time saving and the least expensive form of communication.
- It allows for feedback and spontaneous thinking, so that if the receiver is unsure of the message, rapid feedback allows for early detection so that corrections can be immediately made, if necessary.
- Because the message is conveyed instantaneously, it helps in avoiding delays, red tape and other formalities.
- It conveys a personal warmth and friendliness and develops a sense of belonging because of these personalized contacts.

Disadvantages of Oral Communication

- There is no formal record of communication so that any misunderstood message cannot be referred back to what was actually said.
- If the verbal message is passed on along the hierarchical chain of command then some distortions can occur during the process. The more people the message must pass through, the greater the potential of distortion.
- Lengthy and distant communication cannot be effectively conveyed verbally.
- The receiver may receive the message in his own perception and thus misunderstand the intent of the message.

- Spontaneous responses may not be carefully thought about. 6. The spirit of authority cannot be transmitted effectively in verbal transactions.
- More or less or a different meaning might be conveyed by manner of speaking, tone of voice and facial expressions.

iii. **Written Communication:** it means passing the information by written words. It may be in the form of letters or office memo, circulars, bulletins, board notices, policy and procedural manuals, employee hand-books and performance appraisal.

Advantages of Written communication:

- ❖ Distance is immaterial in case of written communication.
- ❖ It can be preserved as record for future.
- ❖ It is an easy reference and is always readily available.
- ❖ It can be read and understood clearly.
- ❖ They are cost effective.
- ❖ Improves the decision making.

Disadvantages of Written Communication:

- ❖ Costly for small organizations.
- ❖ Difficulty in interpreting the tough and high language.
- ❖ Secrecy is reduced.
- ❖ Difficult to amend once it is issued.
- ❖ Lead to confusion and misunderstanding.

iv. **Gestural Communication:**

This implies conveying the information by using gestures or postures like warm handshake, hugging and pat on the back within the limits of decency which help in communicating or motivating.

Step-5

Receiver: He is the targeted person at which, the communication is aimed. He may be a subordinate, outsider, superior etc.

Step-6

Decoding: It is the process of understanding the encoded message by the receiver as receiver is conversant with the code used by the sender.

Step-7

Feedback: It is information to sender of the communication from receiver that he has understood the message as per the required pattern.

Step-8

Noise: It is disturbance or clutters due to which both senders and receivers of communication are not able to be benefited by the communication. It is all that a communication gap is caused due to this noise.

14.6 .BARRIERS AND PRINCIPLES OF EFFECTIVE COMMUNICATION

These are several disturbances that come in the way of effective communication. These can be classified into:

A. **Semantic Barriers:** The word 'semantics' comes from the Greek word, 'semantikos', which means 'significant'. These barriers relate to the language that the communicator uses and the degree of confusion and complexity in understanding this language. Semantic barriers occur when the sender and receiver have different understandings of the message sent.

For example, a person who uses the word "bimonthly" might take the meaning as twice per month while the person hearing it thinks it means every other month. Semantic barriers arise due to following reasons:

- Holding different meanings of symbols.
- Badly expressed messages due to lack of clarity, careless omission, lack of coherence, inadequate vocabulary, jargons etc.
- Wrong interpretations.
- Physical Noise: The semantic problems arise because the channel is blocked by noise which lies in

environment.

- Faulty translations lead to impaired efficient and heavy costs.
- Unclear assumptions, which may not be clear to the receiver and sender.
- B. Psychological Barriers:** It is also called as emotional barriers. The state of the mind of both sender and receiver of communication reflects in the effective communication. Following are some of the psychological barriers:
 - Premature evaluation: it means taking the different meaning of message before the completion of the message.
 - Lack of attention.
 - Loss due to transmission and poor retention power of communication.
 - Distrust between communicator and communicate acts as a barrier.
- C. Organisational Barriers:** Following are the organizational barriers:
 - If the organizational policy of an organization is not supportive in nature then it may affects the effectiveness of the communication.
 - Rigid rules may be a hurdle to communication.
 - Status or level of superior may create psychological distance between him and his subordinates.
 - Due to more number of levels in the organization it can cause delay in communication.
 - Lack of good facilities for smooth communication can hamper the communication.
- D. Personal Barriers:**
 - Attitude of superiors towards communication affects the flow of messages in different directions if it is not in his favor.
 - Due to lack of confidence of superior on his subordinates, they may not able to seek their advices or opinions.
 - Due to unwillingness of superiors to communicate to the subordinates may affect he communication process in organization.
 - If there is no motivation or incentive for communication or incentive for communication, subordinates may not take initiatives to communicate.
 - Due to overburden with work, subordinates may not get the time to communicate also hamper the communication.
- E. Physical Barriers:**
 - Poor Hearing
 - Distance.

ESSENTIALS OF EFFECTIVE COMMUNICATION SYSTEM

1. Clarity of ideas before communicating.
2. Superior and subordinates should adjust the level of the communication according to their understanding and education.
3. Language used in communication must be clear and understandable to the receiver in such a way it does not hurt their sentiments.
4. While conveying the messages to others, it is better to know the interests and needs of the people to whom the communication is made.
5. The communication can be improved by giving proper feedback.
6. The communication should aim at future goals of the enterprise.
7. There should be regular follow up and review on the instructions given to subordinates.
8. A communicator must be a good listener means he must give chance to others to speak.
9. Proper attention should be given to the timing and timeliness of the communication.
10. The system of communication should be kept open and alive all the year round. It is only by honest attempts that good communication relations can be developed.

14.7. SUMMARY

The leader who makes a wrong decision in highly unfavorable situation is better off than the leader who makes no decision at all. Good leadership makes an organization a dynamic organization. He has to win the willing cooperation of his followers. He should strive hard, with his team members to help the organization achieve the organizational goals. He has to be situational and accordingly, he has to lead. Hence, leader and leadership are very vital to the wellbeing of the organization.

Efficiency and effectiveness of management depends upon effectiveness of communication also. In one way, there is no management when there is no proper communication. Communication can be effective when our nonverbal communication also is in support of verbal communication. Hence, it is very much imperative to see that the body language also is favorable to the formal verbal communication, when there is no any bad intention behind. When there is no open or free communication between superior and subordinate due to their differences in status and levels, there will not be good and effective communication. The principle of integrity of communication suggests that the purpose of communication is to support understand by the individuals in their achieving and maintaining the cooperation needed to meet organizational goals.

14.8. KEYWORDS

- **Leadership:** It is an important element of the directing function of management. Leadership is the art or influence or process of influencing people in order that they may strive hard willingly and enthusiastically towards the achievement of group goals. It is the process of directing and influencing the task related activities of the group members. Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.
- **Qualities of a good leader:** The qualities of successful leadership are so varied that it is difficult to define them. However, based on the conclusions from the studies of leadership research, we have tried to enlist them under three broad heads, viz., Personality Traits, Knowledge and ability and Skills.
- **Leadership styles:** The term leadership style refers to the constituent behavior pattern of a leader as perceived by people around him. The leadership style is the result of the philosophy, personality and experience of the leader. It also depends upon the types of followers and the conditions prevailing in an organization.
- **Democratic or participative style leader:** The democratic or participative style of leadership implies compromise between the two extremes of autocratic and laissez-faire style of leadership. Under this style, the leader acts according to the mutual consent and the decisions are reached after consulting the subordinates. Subordinates are encouraged to make suggestions and take initiative.
- **Blake and Mouton's Managerial Grid:** Blake and Mouton of the University of Texas developed a two-dimensional concept of leadership style called 'Managerial Grid', built on the work of the Ohio State and Michigan Studies to explain leadership behaviour. They pointed out that leadership style is a continuum wherein task-oriented and relation-oriented behaviour are mixed in different degrees.
- **The trait theory:** This approach represents the earliest notions of leadership and until upto three decades ago this approach was very popular. According to this theory, there are certain personal qualities and traits which are essential to be a successful leader. The advocates of this theory are of the opinion that persons who are leaders are psychologically better adjusted to display better judgment and to engage themselves in social activities. Most of the trait theories believe that leadership traits are inherited and in-born and these cannot be acquired by learning. Many researchers have given their views on the type of qualities that are considered essential for effective leadership.
- **The situational theories:** The situational theories emphasize not on personal qualities or traits of a leader, but upon the situation in which he operates. The advocates of this approach believe that leadership is greatly affected by a situation and maintain that leadership pattern is the product of situation at a particular time. The situational theory of leadership suffers from the drawback that it fails to consider the

fact that in the complex process of leadership, individual qualities and traits of the leader also play an important role.

- **Communication:** The word communication has been derived from the Latin word 'communis' which means 'common' which indicates common understanding. It is understood as a process of exchange of ideas, views, facts, feelings etc., between people to create common understanding.
- **Channel:** This is the vehicle that carries the message to the receiver from the sender. Channel means the medium through which the information flows. Channels of communication are of different types. It may be face to face, a report, a letter, radio T.V, telephone etc.
- **Informal Communication:** Informal Communication emerges out of the social interactions among the people. Informal communication spreads information fast. It also leads to Rumors which is a fast passenger. This system is called grapevine. Grapevine communication may follow different type of networks.
- **Noise:** It is disturbance or clutters due to which both senders and receivers of communication are not able to be benefited by the communication. It is all that a communication gap is caused due to this noise.
- **Semantic Barriers:** These barriers relate to the language at the communicator uses and the degree of confusion and complexity in understanding this language. Semantic barriers occur when the sender and receiver have different understandings of the message sent.

14.9 .SELF-ASSESSMENT QUESTIONS

1. Explain the different qualities of a successful leader?
2. What are the different leadership styles?
3. What are the leadership theories? Explain any one theory?
4. Define communication. Explain communication process?
5. What are the barriers of communication? How do you overcome them?
6. What is effective communication?

14.10 FURTHER READINGS

- Kootnz & O'Donnell, Principles of Management.
- J.S. Chandan, Management Concepts and Strategies.
- Arun Kumar and R. Sharma, Principles of Business Management.
- Sherlerkar and Sherlerkar, Principles of Management
- B.P. Singh, Business Management and Organizations

LESSON-15

CONTROLLING

OBJECTIVES:

This lesson seeks to help you learn

- The Concept of Controlling
- Process of controlling
- Essentials of effective controlling system
- Techniques of controlling

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- 15.2 CHARACTERISTICS OF CONTROL
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15.1 INTRODUCTIONS

Controlling-concept

The function of control consists of those activities that are undertaken to ensure that the events do not deviate from the pre-arranged plans. The activities consist of establishing standards for work performance, measuring performance and comparing it to these set standards and taking corrective actions as and when needed to correct any deviations. Again behavioral processes and characteristics are embedded in this function since control involves performance evaluation, reward and recognition systems and motivation.

Meaning and definition:

1 Control is the process of checking whether the plans are being adhered to or not, keeping a record of progress and then taking corrective measures if there is any deviation.

Control is one of the managerial functions. These functions start with planning and end at controlling. The other functions like organizing, staffing, directing act as the connecting link between planning and controlling. Control is the process through which managers assure that actual activities conform to planned activities.

According to Breach, "Control is checking current performance against predetermined standards contained in the plans with a view to ensuring adequate progress and satisfactory performance."

According to Koontz and O' Donnel "The measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and plans devised to attain them are being accomplished."

According to Billy E. Goetz, "Management control seeks to compel events to conform plans".
According to Robert N. Anthony, "Management control is the process by which managers assure that resources are obtained and used effectively and efficiently."

In the words of **Henry Fayol,** "Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and the principles established. Its object is to find out the weakness and errors in order to rectify them and prevent recurrence. It operates on everything, i.e., things, people and actions".

In the words of **Haynes and Massie,** "Fundamentally, control is any process that guides activity towards some predetermined goal. The essence of the concept is in determining whether the activity is achieving the desired results".

In the words of **J. L. Massie,** "Control is the process that measures current performance and guides it towards some predetermined goals."

According to George R. Terry, "Controlling is determining what is being accomplished i.e., evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans."

From the above definitions it is clear that the managerial function of control consists in a comparison of the actual performance with the planned performance with the object of discovering whether all is going on well according to plans and if not why. Remedial action arising from a study of deviations of the actual performance with the standard or planned performance will serve to correct the plans and make suitable changes. Controlling is the nature of follow-up to the other three fundamental functions of management. There can, in fact, be no controlling without previous planning, organising and directing. Controlling cannot take place in a vacuum.

15.2 CONTROLLING CHARACTERISTICS

- ❖ Control is a continuous process
- ❖ Control is a management process
- ❖ Control is embedded in each level of organizational hierarchy
- ❖ Control is forwardlooking
- ❖ Control is closely linked with planning
- ❖ Control is a tool for achieving organizational activities
- ❖ Control is an end process
- ❖ Control compares actual performance with planned performance*
- ❖ Control point out the error in the execution process
- ❖ Control helps in minimizing cost
- ❖ Control helps in achieving standard
- ❖ Control saves the time

15.2.1 IMPORTANCE OF CONTROLLING

1. **Accomplishing Organizational Goals:** The controlling process is implemented to take care of the plans. With the help of controlling, deviations are immediately detected and corrective action is taken. Therefore, the difference between the expected results and the actual results is reduced to the minimum. In this way, controlling is helpful in achieving the goals of the organization.
2. **Judging Accuracy of Standards:** While performing the function of controlling, a manager compares the actual work performance with the standards. He tries to find out whether the laid down standards are not more or less than the general standards. In case of need, they are redefined.
3. **Making Efficient Use of Resources:** Controlling makes it possible to use human and physical resources efficiently. Under controlling, it is ensured that no employee deliberately delays his work performance. In the same way, wastage in all the physical resources is checked.
4. **Improving Employee Motivation:** Through the medium of controlling, an effort is made to motivate the employees. The implementation of controlling makes all the employees to work with complete dedication because they know that their work performance will be evaluated and if the progress report is satisfactory, they will have their identity established in the organization.
5. **Ensuring Order and Discipline:** Controlling ensures order and discipline. With its implementation, all the undesirable activities like theft, corruption, delay in work and uncooperative attitude are checked.
6. **Facilitating Coordination in Action:** Coordination among all the departments of the organisation is necessary in order to achieve the organisational objectives successfully. All the departments of the organization are interdependent. For example, the supply of orders by the sales department depends on the production of goods by the production department.

Through the medium of controlling an effort is made to find out whether the production is being carried out in accordance with the orders received. If not, the causes of deviation are found out and corrective action is initiated and hence, coordination between both the departments is established.

15.2.2. TIME ELEMENTS IN CONTROLLING

The controls can be classified as per the time elements into the following types:

- ❖ **Preventive control:** this is proactive control or pre control; it takes place prior to the performance of an activity. These control prevents problems that results from deviation from performance standards. This is the most cost effective technique. By purchasing good quality medicine, the output of patient's care definitely improves.
- ❖ **Concurrent control:** the activities are monitored while they are being carried out. Typical example is that the CSSD supervisor observes the process of the sterilization techniques, while being carried out.
- ❖ **Feedback control:** this is also known as post control. Evaluate an activity after it is performed. This is historical control or also known as terminal evaluation. It will tell us that what went wrong during the process and is useful to provide feedback for future planning.

15.2.3. LIMITATIONS OF CONTROLLING

- **Difficulty in setting quantitative standards:** Control system loses its effectiveness when standard of performance cannot be defined in quantitative terms and it is very difficult to set quantitative standard for human behaviour, efficiency level, job satisfaction, employee's morale, etc. In such cases judgment depends upon the discretion of manager.
- **No control on external factors:** Enterprises cannot control the external factors such as, government policy, technological changes, change in fashion, and change in competitor's policy, etc.
- **Resistance from employees:** Employees often resist control and as a result effectiveness of control reduces. Employees feel control reduces or curtails their freedom. Employees may resist and go against the use of cameras, to observe them minutely.
- **Costly affair:** Control is an expensive process it involves lot of time and effort as sufficient attention has to be paid to observe the performance of the employees. To install an expensive control system

organisations have to spend large amount. Management must compare the benefits of controlling system with the cost involved in installing them. The benefits must be more than the cost involved then only controlling will be effective otherwise it will lead to inefficiency

15.3. PREREQUISITES OF CONTROL

- **Planning:** planning and control are like the inseparable twins. Planning is the first function of management. Plan serves as standard for measuring the performance of individuals and the enterprise as a whole for control purpose. If plans are complete and clear, controls will be effective.
- **Organizational structure:** control will be effective only when the organizational structure is clear and complete. Control functions through people. In case of deviations from the set standards, corrective actions can be taken only through a person who is actually responsible for such deviation. Unless the organizational responsible is clear and specific this cant be made possible.
- **Adequate authority:** adequate authority is essential for performing control function. If it is not delegated to a manager, he cannot take necessary steps to detect deviations and to correct them. When a particular task is assigned to a manager, he get the job performed effectively and efficiently. Hence, delegation of adequate authority is one of the pre requisites of control system.
- **Supply of information:** control is a process whereby actual performance is compared with set standards. This is possible only when a manager is supplied with adequate information. Information as to plan, programmes and budget is to be communicated to managers concerned with determination of standards of performance, which in turn to be transmitted to the subordinates who have to meet them through various operations. As soon as the actual performance is measured, reports are prepared and communicated to the concerned managers for the purpose of evaluation. If there is any deviation in the actual performance, instructions as to corrective action are feedback to the operating system to get right the process in the future. Hence, communication of information at several points is an important prerequisite of the control system.
- **Corrective action:** the very, objective of control function is to take corrective action so that deviations may not happen again. There is no meaning of control unless corrective action is taken to set right the deviations, if any. Hence, corrective action is another pre requisite of the control system.

15.4 PROCESS OF CONTROLLING

As discussed above, control is a process which involves various steps which remain same irrespective of activity involved or its nature. A control process involves various steps which are essential for effective implementation of planning.

Controlling as a management function involves following steps:

- E. **Establishment of standards:** Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criteria for judging the performance. Standards generally are classified into two.
 - **Measurable or tangible:** Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.
 - **Non-measurable or intangible:** There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards. Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

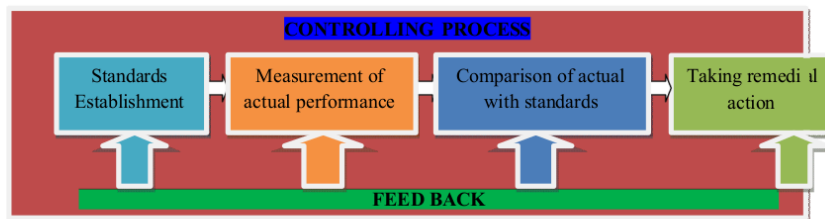


Fig: Controlling Process

F. Measurement of performance: The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-

- a. Attitude of the workers,
 - b. Their morale to work,
 - c. The development in the attitudes regarding the physical environment, and
 - d. Their communication with the superiors.
- e. It is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

G. Comparison of actual and standard performance: Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore it is said, "If a manager controls everything, he ends up controlling nothing." For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

Once the deviation is identified, a manager has to think about various causes which have led to deviation. The causes can be-

- Erroneous planning,
- Co-ordination loosens,
- Implementation of plans is defective, and
- Supervision and communication is ineffective, etc.

H. Taking remedial actions: Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it.

There are two alternatives here-

- ❖ Taking corrective measures for deviations which have occurred; and
- ❖ After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

15.5. CONTROLLING TECHNIQUES:

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The process of planning and controlling go hand in hand in the management of any organization. This necessitates the implementation of certain managerial control techniques that help to determine whether activities are executed according to plans.

The various techniques of managerial control can be classified into two categories:

- Traditional control techniques
- Modern control techniques

❖ Traditional Control Techniques

The traditional control techniques can be further classified into:

❖ Budgetary Control

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A budget is a planning and controlling device. Budgetary control is a method that sets performance requirements through the preparation of budgets. It calculates and compares actual results with corresponding budget data and takes necessary actions to correct the deviations. The process consists of preparing and utilizing budgets to evaluate actual operations. Budgets can be of several types like production budget, sales budget, cash budget, master budget, etc. Budgetary control is a technique of managerial control through budgets. It is the essence of financial control. Budgetary control is done for all aspects of a business such as income, expenditure, production, capital and revenue. Budgetary control is done by the budget committee.

❖ Non-budgetary control techniques

The following are various non-budgetary control techniques:

- **Direct Supervision or Personal observation:** This is the most effective means of control that helps to avoid unruly situations. The supervisor himself observes the employees and their work. This brings him in direct contact with the workers. So many problems are solved during supervision. The supervisor gets first hand information and he has understanding with the workers. So deviations are discovered much earlier and promptly corrected in this technique. It enhances motivation and morale among the employees of the organization.
- **Statistical data:** Data presented in the form of charts, graphs and diagrams provide a quick understanding of the problem. This technique is, therefore, used more often for managerial control. They are applied specifically in the field of quality control.
- **Special reports:** Special reports prepared by experts through special investigation are useful in specific cases. This is because; sometimes, routine statistical and accounting reports are not satisfactory for control.
- **Internal audit:** Internal audit provides a recurrent review of the activities and accounts of an organization by its own staff. It helps to analyze the effectiveness of plans and methods of work in comparison with the organizational activities. It also helps in avoiding mistakes and frauds.

- **Ratio analysis:** The control of the total functioning in an organization becomes possible by an analysis of the profitability, liquidity and solvency ratios. For example, the 'Financial Statement Analysis' facilitates diagnosing the suitability of a business venture.
- **Break-even analysis:** Break Even Analysis or Break Even Point is the point of no profit, no loss. The Break-even analysis acts as a control device. It helps to find out the company's performance. So the company can take collective action to improve its performance in the future. Break-even analysis is a simple control tool. The break-even analysis is an analysis of the interrelationship between cost, volume and profit.
- **Standard Costing:** Standard costs refer to predetermined costs used as standards for calculating actual performance. A standard cost helps to distinguish between controllable and uncontrollable costs.

❖ **Modern Control Techniques**

With the changing times, many new techniques and methods of managerial control have been developed to enhance the control of complex events. These techniques are based on an integrated approach towards the planning and control functions. The different modern techniques of managerial control are as follows:

❖ **Return on Investment (ROI):** Alternatively called as Rate of Return, this technique can be used for both planning and controlling objectives. It is derived from a ratio between the total profit and the total investment of an organization. Return on Investment helps to evaluate the functioning of an organization in the light of its total profit earned so far. Besides profit planning, this technique is also useful and suitable for capital budgeting in particular and for long-term investment.

ROI helps to know whether the resources are employed effectively or not. It concentrates on the basic objective of business, namely profit earning. ROI facilitates decentralization of authority. By defining a target rate of return for each department, it provides possible autonomy of management to departmental heads. In case of frequent price changes, it becomes difficult to calculate it. Being a short-term concept, the aim to increase current ROI makes managers ignorant of long-term investment like research and development, executive development, etc., of the organization.

❖ **Human resource accounting:** Most control techniques calculate financial performance in terms of costs, profits, revenue and other such concrete factors. However, the most important contributing factor, viz. human resources, is overlooked in these techniques. The Human Resource Accounting technique by Likert's helps in the calculation of human resources. **This technique involves:**

- Accounting for people as an organizational resource.
- Involving measurement of the cost incurred in the acquisition and development of human assets and
- The measurement of economic value of employees to an organization. The value of any individual or employee is defined in this technique, in terms of the contemporary worth of the various services he is supposed to provide to the organization. This value is known as 'Individual's Expected Realizable Value' (IERV).

This technique provides a sound basis for planning and controlling human resources. The technique tends to reduce human qualities to sheer monetary values.

❖ **Management audit:** Management audit can be defined as an independent and critical evaluation of the total managerial process. It records the deviations from the principles and practices of effective management at different levels of organization. Then the impact of these deviations on the organization and on end results is noted. Advantages of management audit It has no well-defined principles and procedures are available. There is shortage of well-qualified management auditors. Absence of an objective and independent approach to the audit.

❖ **Responsibility accounting:** In this technique, costs are accumulated and reported by levels of responsibility. Accounting statements are created for all levels of management. These statements are designed for the operating people, to control their operations and costs. Responsibility Accounting classifies organizational management into responsibility centres. A responsibility centre is an organizational segments such as division, department or section led by a manager who is responsible for specified targets of performance.

There are four types of responsibility centres:

- A **cost centre** measures financial performance by noting whether the assigned tasks are done within the planned expense amount.
- A **profit centre** measures the financial performance according to the achieved budgeted profit.
- The **revenue centre** measures the financial performance by noting if the specific segment has achieved the budgeted levels of sales revenue.
- In the **investment centre** a manager is held responsible for effective use of invested capital or for the planned return on investment.

❖ **Network techniques:** PERT and CPM are the two most popular network techniques. Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) techniques were developed in USA in the late 50's. These Network techniques are recent developments applied in management planning and control of an organization. These techniques apply the network theory of scheduling problems. In a network, complex projects are divided into a series of activities performed sequentially. The two techniques are based on the same principles yet differ in some respects. Successful completion of any activity depends upon doing the work in a given sequence and in a given time. CPM / PERT can be used to minimize the total time or the total cost required to perform the total operations.

- ❖ **Management Information System (MIS):** In order to control the organisation properly the management needs accurate information. They need information about the internal working of the organisation and also about the external environment. Information is collected continuously to identify problems and find out solutions. MIS collects data, processes it and provides it to the managers. MIS may be manual or computerised. With MIS, managers can delegate authority to subordinates without losing control.
- ❖ **Self-Control:** Self-Control means self-directed control. A person is given freedom to set his own targets, evaluate his own performance and take corrective measures as and when required. Self-control is especially required for top level managers because they do not like external control. The subordinates must be encouraged to use self-control because it is not good for the superior to control each and everything. However, self-control does not mean any control by the superiors. The superiors must control the important activities of the subordinates.

15.6 REQUIREMENTS OF ADEQUATE CONTROL

Effective control systems tend to have certain common characteristics. The importance of these characteristics varies with the situation, but in general effective control systems have following characteristics:

- **Accuracy:** Effective controls generate accurate data and information. Accurate information is essential for effective managerial decisions. Inaccurate controls would divert management efforts and energies on problems that do not exist or have a low priority and would fail to alert managers to serious problems that do require attention.
- **Timeliness:** There are many problems that require immediate attention. If information about such problems does not reach management in a timely manner, then such information may become useless and damage may occur.
- **Acceptability:** Controls should be such that all people who are affected by it are able to understand them fully and accept them. A control system that is difficult to understand can cause unnecessary mistakes and frustration and may be resented by workers. Accordingly, employees must agree that such controls are necessary and appropriate and will not have any negative effects on their efforts to achieve their personal as well as organizational goals.
- **Integration:** When the controls are consistent with corporate cultures and culture, they work in harmony with organizational policies and hence are easier to enforce. These controls become an integrated part of the organizational environment and this becomes effective.
- **Corrective action:** An effective control system not only checks for and identifies deviation but

so is programmed to suggest solutions to correct such deviation.

- **Economic feasibility:** The cost of a control system must be balanced against its benefits. The system must be economically feasible and reasonable to operate.

15.7. SUMMARY

In the absence of controlling, the management is nothing. Management must result in efficiency and effectiveness. One is able to understand all these things that management is efficient or inefficient only when controlling is there. O, it is a sine-Quo-Non in management. Planning and controlling are two inseparable functions. Comparison of actual performance with standard performance is the main crux of controlling. Controlling is reviewing, auditing, verifying whether things are proceeding in agreement with contemplated way. It is taking a remedial action, if any adverse a gap between standard performance and actual performance noticed.

15.8. KEYWORDS

- **Controlling:** It is checking current performance against predetermined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance.
- ❖ **Preventive control:** This is proactive control or pre control; it takes place prior to the performance of an activity. These control prevents problems that results from deviation from performance standards. This is the most cost effective technique. By purchasing good quality medicine, the output of patient's care definitely improves.
- ❖ **Controlling process:** A control process involves various steps which are essential for effective implementation of planning.
- ❖ **Measurement of performance:** The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult.
- ❖ **Budgetary control:** It is a method that sets performance requirements through the preparation of budgets. It calculates and compares actual results with corresponding budget data and takes necessary actions to correct the deviations. The process consists of preparing and utilizing budgets to evaluate actual operations. Budgets can be of several types like production budget, sales budget, cash budget, master budget, etc.
- ❖ **Internal audit:** Internal audit provides a recurrent review of the activities and accounts of an organization by its own staff. It helps to analyze the effectiveness of plans and methods of work in comparison with the organizational activities. It also helps in avoiding mistakes and frauds.
- ❖ **Programme Evaluation and Review Technique (PERT):** PERT is a time event network analysis system in which various events in a programme or a project are identified with a planned time established for each. These events are placed in a network showing the relationships of each event to the other events.
- ❖ **CPM:** Critical Path Method (CPM) is one which shows the sequence of events and activities itself. It is not doing something in the first place and then correcting it. It is also equal to development of a separate organizational culture committed to quality.
- ❖ **Essentials for efficient and effective control process:** the system designed must be a suitable one. It must be too simple to be understood. It must be sound, valid and economic. Standards fixed must be reasonable, practical, objective, clear, verifiable etc.

15.9. SELF-ASSESSMENT QUESTIONS

1. Define Control? Explain its characteristics and importance in business.
2. What are various prerequisites for controlling?
3. Explain the process and steps in controlling.
4. What factors make controlling effective?
5. As a modern healthcare manager, what new techniques do you want to employ for controlling?

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15.10. FURTHER READINGS

- Kootnz & O'Donnell, Principles of Management.
- Peter F. Drucker, Practice of Management
- Chandan, Management Concepts and Strategies\\ Arun Kumar & Rachana Sharma, Principles of Business Management.

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