Directorate of Distance Education

UNIVERSITY OF JAMMU
JAMMU

SELF LEARNING MATERIAL
FOR
B. COM COURSE
SEMESTER - I

Subject : Management Theory & Practice	**Unit - I to IV**
Course No. : BCG-102	**Lesson No. 1 to 20**

Course Co-ordinator
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B.COM SEMESTER - I

MANAGEMENT THEORY & PRACTICE

Course NO. : **BCG-102**   Title : **Management Theory and Practice**

Duration of Exam. : **3 Hrs**   Total Marks : **100**

Theory Examination : **80**

Internal Assessment : **20**

Objective : The basic objective of this course is to provide fundamemental knowledge about business management & organisation.

UNIT-I : EVOLUTION OF MANAGEMENT THOUGHT

Concept, nature, scope and significance of management; Contribution to management thought by F.W. Taylor and C.K. Pralahd.

UNIT-II : FUNCTIONS OF MANAGEMENT

Planning-Meaning and steps in the process of planning: Organisation: Meaning, importance of effective organising, pitfalls in effective organising, principles of effective delegation; Meaning and features of staffing and manpower planning; Maslow's and Herzberg's theories of motivation.

UNIT-III : LEADERSHIP & THEORIES OF LEADERSHIP

Concept, nature and functions of leadership, leadership styles, difference between leadershp and management, Steps to improve leadership effectiveness.

UNIT-IV : COORDINATION AND CONTROLLING

Coordination - Meaning, features, importance; Controlling-Nature and definition, need for control, process of control, factors determining good control; MBO-Concept, importance and steps.

Books recommended

1. Rao, P. Subha   :   Principles of Management Himalaya Publishing House, New Delhi.

2. Ramaswamy T.   :   Principles of Management Himalaya Publishing House, New Delhi.

3. Sharma, Bhalla and Gupta   :   Principles of Management, Kalyani Publishers, New Delhi.

4.	Prasad, L.M.	:	Management- Theory and Practice, Sultan Chand, New Delhi.
5.	Koontz	:	Principles of Management, Tata McGraw Hill.
6.	Chandan, J.S.	:	Management Concepts and Strategies, Vikas Publications, New Delhi.
7.	Stoner Freeman & Gibert Jr.	:	Management, Prentice Hall of India.
8.	Robbins & Coulter	:	Management, Prentice Hall of India.
9.	Robbins S.P. & Decenzo David A.	:	Introduction of Management Science, Essential Concepts and Applications, Pearson Education.
10.	Hillier Frederick & Hillier Mark S.	:	Introduction to Management Science, A Modelling and Case Studies Approach with Spreadsheets, Tata McGraw Hill.
11.	Rao, V.S.P. & Krishna, V. Harri	:	Management-Text and Cases, Excel Book Pub., New Delhi

Note for paper setter

Equal weightage shall be given to all the units of the syllabus. The external paper will be of the two sections viz, A & B.

Section -A : This section will contain four short answer questions selecting one from each unit. Each question carries 5 marks. A candidate is required to attempt all the four questions. Total weightage to this section shall be 20 marks.

Section B : This section will contain eight long answer questions of 15 marks each. Two questions will internal choice will be set from each unit. A candidate has to attempt any four questions selecting one from each unit. Total weightage to this section shall be 60 marks.

MODEL QUESTION PAPER

MANAGEMENT THEORY AND PRACTICE

Max Mark : 80

Time Allowed : 3 Hrs.

Section - A (20 Marks)

Attempt all the questions. Each question carries five marks.

1. Briefly explain the concept of scientific management ?

2. Discuss the principles of effective delegation of authority ?

3. Explain briefly the leadership styles ?

4. Write a note on coordination ?

Section - B (60 Marks)

Attempt any four questions selecting one question from each unit. Each question carries 15 marks.

1. Define management. Is management science or an art of both.

    Or

    Explain the contribution of Henry Fayol.

2. Define planning. Explain its importance and limitation.

    Or

    Define organizing. Discuss the steps in the process of organizing.

3. Define staffing. Discuss different steps in staffing process.

    Or

    Define motivation. Explain different types of motivation.

4. Define controlling. Explain nature and significance of controlling.

    Or

    "Coordination is an essence of management". Discuss.

EVOLUTION OF MANAGEMENT THOUGHT

Objective:

After going through this lesson, you should be able to:

- Describe the meaning of management and its evolution.

- Explain in detail the features, levels and importance of management

- Differentiate among the organisation, the management and the administration.

Structure:

1.1   Introduction

1.2   Meaning of Management

1.3   Definitions of Management

1.4   Features or characteristics of Management

1.5   Nature of Management

1.6   Professionalization of Management in India

1.7   Significance of Management

1.8   Scope of Management

1.9   Types and stages of Management

1.10   Management, Organisation and Administration

1.11   Levels of Management

1.12   Evolution of Management thought

1.1 INTRODUCTION

Every human being has needs and wants but it is impossible for an individual to satisfy all his desires by himself. Therefore, they joins hands with fellow beings and works in an organised group to achieve, what he cannot accomplished single handedly. Thus, human being organises himself in groups e.g. a family, hockey team, a college, a business firm, a government etc. and as these groups develop in course of time with complexities managing becomes a difficult task .The need of existence of management has increased tremendously. Management is not only essential to business concerns but also essential to banks, schools, colleges, hospitals, hotels, religious bodies, charitable trust etc. Every business unit has objectives of its own. These objectives can be achieved with the co-operative efforts of several personnel. The works of a number of persons are properly co-ordinate to achieve the objectives through the process of management. According to **E.Demock**, "The management is not a matter of pressing a button, pulling a lever, issuing order, scanning profit and loss statements promulgating rules and regulations. Rather it is the power to determine what shall happen to the personalities and happiness of entire people, the power to shape the destiny of a nation and of all the nations which make up the world". **Peter F. Drucker** has stated in his famous book **"The Practice of the Management"** that, "the emergence of management as an essential, a distinct and leading social institution, a new leading group, emerged as fast as management since the turn of this century. Rarely in human history has a new institution proved indispensable so quickly and even less often has a new institution arrived with so little opposition, so little disturbance and so little controversy."

1.2 MEANING OF MANAGEMENT

The word 'management' can be styled as: Management (i.e., manage men tactfully). Why manage men tactfully? This is with view to get the things done. In order to manage men tactfully, one has to understand the highly unpredictable and uncertain human nature. Owing to this management is very complicated and challenging activity.

A simple traditional definition, defines it as the "art of getting things done by the effort of others". This definition brings in two elements namely accomplishment of objectives, and direction of group activities towards the goal. The weakness of this definition is that firstly it uses the word "art", where as management is not merely an art, but it is both art and science. Secondly, the definition does not state the various functions of a manager clearly.

The study of a discipline should start with its definition delineating properly its contents and characteristics, defining its scope and boundary, and prescribing the objectives for which it stands. From this point of view, we can proceed only when we define management. However, a precise definition of management is not so simple because the term management is used in a variety of ways. Being a new discipline, it has drawn concepts and principles from a number of disciplines such as economics, sociology, psychology, anthropology, statistics, and so on. The result is that each group of contributors has treated management differently. For example, economists have treated management as a factor of production; sociologists have treated it as a class or group of persons; practitioners have treated it as a process comprising different activities. Naturally, all these divergent groups view the nature and scope of management from their own points of view. Thus, taking all these points of view together, it becomes difficult to define management in a comprehensive way. In the present context, the term management is used in three alternative ways:

1.   Management as a discipline,

2.   Management as a group of people, and

3.   Management as a process.

1.2.1   Management as a Discipline

Discipline refers to a field of study having well-defined concepts and principles. When we refer to management as a discipline, we include in it the various relevant concepts and principles, the knowledge of which aids in managing. From this point of view, management can be treated either as an art or science, the two basic and broad disciplines. However, since management prescribes various principles and how these principles can be applied in managing an organisation, it has the orientation of both, science and art, a phenomenon will be discussed later.

1.2.2   Management as a Group of People

Sometimes, we refer management as a group of people in which we include all those personnel who perform managerial functions in organisations. For example, when we talk about relationship between management and labour in an organisation, we refer to two distinct classes or groups of personnel in the organisation. In the first category, we include all those persons who are responsible for managerial functions and in the second category, we include non-managerial personnel. This approach of using management is quite popular; however, it does not serve our purpose of defining the term management.

1.2.3   Management as a Process

In studying management discipline, we generally refer to management as a process. A process can simply be defined as systematic method of handling activities. However, the management process can be treated as a complex one which can be referred to as an identifiable flow of information through interrelated stages of analysis directed towards the achievement of an objective or set of objectives. It is a concept of dynamic rather than static existence in which events and relationships must be seen as dynamic, continuous, and flexible, and as such, must be considered as a whole. Thus, management as a process includes various activities and sub activities. However, what these activities are must be defined precisely to understand the exact nature and scope of management. In a simple way, we can define management as what managers do. However, this definition, though simple, suffers from two limitations:

There is a problem in identifying the people in the organisation who can be called managers because there is no uniformity in the titles given to the people. For example, people may be called as president, chief executive or managing director at the top level. Similarly at the middle level, they can be called as executive or accountant, and at lower level as supervisor. Therefore, it becomes difficult to identify who is a manager and who is not; whose activities should be treated as managerial and whose activities as non-managerial. Thus, what should be studied is not clear.

Even if the problem of identifying people as managers is solved, the problem of identifying managerial activities still exists because people known as managers may perform different kinds of activities, some of which may not really be managerial. Therefore, unless some

yardsticks are prescribed to distinguish between managerial and non-managerial activities, managerial activities cannot be identified.

In order to overcome these limitations, the total activities of an organisation can be divided into two groups: operational and managerial. Those activities which are of operative nature through which actual work is accomplished such as handling a machine by workers, putting the materials into godown, etc., are called operational activities. As against this, some activities are performed to get things done like a supervisor instructing a worker to do a particular job, or marketing manager instructing his salesmen to contact the customers to sell the product, etc. Such activities are different from the first group and are known as managerial activities. Thus, management can be defined as the process of getting things done by others. Management is invariably defined as the process of 'getting things done through the efforts of others', 'getting from where we are to where we want to be with the least expenditure of time, money, and efforts', or 'coordinating individual and group efforts toward super ordinate goals'. Though these definitions of management as process use different terms, all of them convey the same set of meanings in their final analysis.

1.3   DEFINITIONS OF MANAGEMENT

The term management has been defined differently by different writers. Few of the important definitions of management classified on the basis of their concept are discussed below:

(A)   Functional concept as a process, management is what a manager performs.

1.   "Management is that function of an enterprise which concerns itself with the direction and   control of the various activities to attain the business objectives"

-William Spriegel

2.   "Management is the planning, organising command, coordination and control of the technical, financial security and accounting activities."

-Louis A. Allen

3.   "Management is the process by which a corporative group directs action towards a common goal".   **-Joseph Messie**

4. "Management is a distinct process consisting of planning, organising, activating and controlling performed to determine and accomplish the objectives by the use of human beings and other resources." **-George R. Terry**

5. "To manage is to forecast and plan, to organise, to command, to coordinate and to control." **-Henry Fayol**

6. Management is a social process entailing responsibility for the effective and economical planning and regulation of the operations of an enterprise in fulfilling of a given purpose or task, such responsibility involves:

(a) Judgement and decision in determining plans and in using data to control performance and progress against plans; and (b) The guidance, integration, motivation and supervision of the personnel composing the enterprise and carrying out its operations. **-E.F.L. Brech**

(B) Human relation concept management as a technique of getting things done.

1. "Management is the art of directing and inspiring people."

-J.D. Mooney, and A.C. Railey

2. "Management is getting things done through the efforts of other people".
-Lawrence A. Appley

3. "Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others."

-S. George

4. "Management is the art of getting things done through and with people informally organised groups. It is the art of creating an environment in which people can perform as individuals and yet co-operate towards attainment of group goals. It is an art of removing blocks to such performance, a way of optimizing efficiency in reaching goals."

-Horald Koontz

(C) Leadership and decision making concept management as an art and science of decision making and leadership.

11

1. "Management is the art and science of decision making and leadership".

    -Donald J. Clough

2. "Management is the art and science of preparing organising and directing human efforts to control the forces and utilise the material of a nature for the benefit of men".

    -American Society of Mechanical Engineers

3. "Management is the function of executive leadership anywhere."

    -Ralph, C. Davis

4. "Management means decision making"

    -Ross Moore.

5. "Management is simply the process of decision making and control over the action of human beings for the express purposes of attaining predetermined goals"

    -Stanley Vance

6. "Management may be defined as "a technique by means of which the purposes and objectives of a particular human group are determined, clarified and effectuated."

    -Dean Elmore Peterson and E. Grosvenor Plowman

(D) Productivity concept management as a technique of increasing productivity.

1. "Management is the art of knowing what you want to do.......in the cheapest way."

    -F.W. Taylor

2. "Management may be defined as the art of securing maximum results with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give the public the best possible service."

    -John F. Mee

12

(E) **Integration concept management as the coordinator of human and material resources.**

1. "Management is the force that integrates men and physical plant into an effective operating unit."

   -Keith and Gubellini

2. "Management is the total task of welding into a single working force men, money, machinery, materials and methods."

   -Mrityunjoy Banerjee

3. "Management is ....., a cooperation of the human and meterial resources essentially in the effective and efficient attainment of objectives."

   -Robert, L. Trewatha and M. Gene Newport

4. "Management consists in guiding human and physical resources into a dynamic, hard hitting organisation unit that attains its objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering the service."

   -Lawrence, A. Appley

5. "Management entails the coordination of human and material resources towards the achievement or organisational objectives as well as the organisation of the productive functions essential for achieving stated or accepted economic goals."

   -Barry M.Richman

6. "Business management is human activity which directs and controls the organisation and operation of a business enterprise. Management is centred in the administrators or managers of the firm who integrate men, material and money into an effective limit."

   - Wheeler

An analysis of the above definitions makes it clear that management has been viewed in different senses laying stress on different aspects of management.

13

The classification of definitions is neither rigid nor specified. This has been done keeping in view the main thrust of definitions. Thus, there can be overlapping in this classification. It may not be appropriate to define management in terms of only one aspect. For instance, when one says management is what manager performs, the social and human aspects of management are not considered. Similarly, the definition, "management is management of people and not things," is also incomplete and it gives more weight to the contribution of workers and underestimates the contribution of other factors of production.

As the process of decision making and leadership, management seeks to achieve optimum use of human and material resources. But management is much wider than simply taking executing decisions. It involves integration of individual effort into team work.

Management as the coordination of human and material resources is the most appropriate concept of management. Optimum utilisation of available resources is impossible without proper integration and coordination. It identifies the functions which a manager has to perform. But it is essential to keep in view the social and human obligations of management while describing the functions or process of management.

To conclude, we can say that various definitions of management do not run contrary to one another. Management is the sum total of all those activities that includes:–

- determine objectives, plans, policies and programmes;

- secure men, material, machinery cheaply;

- put all these resources into operations through sound organisation;

- direct and motivate the men at work;

- supervise and control their performance and

- provide maximum prosperity and happiness for both employer and employees and public at large.

1.4 FEATURES OR CHARACTERISTICS OF MANAGEMENT

From the critical analysis of the above definitions, the following features or characteristics of management evolve:

1. Art as well as science: Management is both an art and a science. It is an art in the sense of possessing of managing skill by a person. In another sense, management is the science because of developing certain principles of laws which are applicable in a place where a group of activities are co-coordinated.

2. Management is an activity: Management is the process of activity relating to the effective utilization of available resources for production. The term 'resources' includes men, money, materials and machine in the organization.

3. Management is a continuous process: The process of management mainly consists of planning, organising, directing and controlling the resources. The resources (men and money) of an organisation should be used to the best advantages of the organisation and to the objectives. The management function of nay one alone cannot produce any results in the absence of any other basic functions of management. So, management is a continuous process.

4. Management is achieving pre-determined objectives: The objectives of an organisation are clearly laid down. Every managerial activity results in the achievement of objectives fixed well in advance.

5. Organised activities: Management is a group of organised activities. A group is formed not only in a public limited company but also in an ordinary club. All the organisations have their own objectives. These objectives will be achieved only by a group of persons. These persons' activities should be organised in a systematic way to achieve the objectives that cannot be achieved without any organised activities.

6. Management is a factor of production: The factor of production includes land, labour, capital and entrepreneurs. Here, land refers to a place where production is carried on. Labour refers to the paid employees of the organisation who are working in different levels as skilled, unskilled, semi-skilled, manager, supervisor and the like capital refers to the working capital as in the form of cash, raw materials and production. According to Peter. F.Drucker, "whatever rapid economic and social

development took place after World War II, it occurred as a result of systematic and purposeful work of developing managers and management. Development is a matter of human energies rather than of economic wealth and the generation of human energies is the task of management. Management is the mover and development is the consequence."

7. Management as a system of activity: A system may be defined as a set of component parts working as a whole. Authority may be defined as a right to command other for getting a particular course of organisational work done. Individuals are the foundation stones of the management. An individual has some goals as a member of the organisation. There may be a conflict between his own goals and the management's expectations from that individual. Such conflict is resolved by the management by ensuring balance between individual goals and organisational expectations.

Authority vested with many persons to take decisions and influence the behavior of the sub-ordinates. The very purpose of using the authority rest with superiors as given in the organisation chart and social norms. The utilization of authority is based on the personality factors of the user and the behavior of a person over whom it is used.

8. Management is a discipline: The boundaries of management are not exact as those of any other physical sciences. It may be increased by the continuous discovery of many more aspects of business enterprise. So, the management status as a discipline is also increased in the same manner.

9. Management is a purposeful activity: Management is concerned with achievement of objectives of an organisation. These objectives are achieved through the functions of planning, organizing, staffing, directing, controlling and decision-making. The organisational objectives are clearly defined and explained to every employee.

10. Management is a distinct entity: Management is distinct from its functional activities. The functions have the nature of "to do" but the management has the nature of "how to get things done" A manager requires some amount of skill and knowledge to get work done.

11. Management aims at maximizing profit: The available resources are properly utilized to get desired results. The results should be the maximizing profit or increasing profit by the economic function of a manager.

12. Decision-Making: There are a number of decisions taken by the management every day. Decision making arises only where there is availability of alternative courses of action. If there is only one course of action, need for decision- making does not arises the quality of decision taken by the manager determines the organization's performance. The success of failure of an organization depends upon the degree of right decision taken by the manager.

13. Management is a profession: Management is a profession because it processes the qualities of a profession. A fund of knowledge is imparted and transferred in this profession and the same is followed by management. The established principles of management are applied in practice.

14. Universal application: The principles and practices of management are applicable not to any particular industry alone but applicable to every type of industry. The practice of management is different from one organization to another according to their nature.

15. Management is getting thing done: A manager does not actually perform the work but he gets the things done by others. According to Knootz and O'Dennell, "Management is the art of getting things done through and with people in formally organized groups".

16. Management as a class or a term: A class may be defined as a group of people having homogenous characteristics to achieve common objectives. Engineers and doctors are grouped as a class in a society. Each and every doctor has the same objectives in life just like engineers and doctors, the management people have got similar aspirations to achieve corporate objectives.

17. Management as a career: Now-a-days, management is developed as a career focused on certain specialization. Financial management, cash management, portfolio management, Marketing management, Personnel management, industrial

17

management and Business management are some of the specialisations of management. Specialists are appointed on the key posts of top management.

18. D**irection and control:** A manager can direct his subordinates in the performance of a work and control them whenever necessary. If the available resources are not unlisted properly by him, he fails to achieve the corporate objective in the absence of direction and control. Generally, direction and control deal with the activities of human effort.

19. Dynamic: The management is not static. In the fast developing business world, new techniques are developed and adopted by the management. Management is changed according to the social change. The social change is the result of the changing business world.

20. Management is needed at all levels: The functions of management are common to all levels of organisation. The top executive performs the functions of planning, organizing, directing, controlling and decision making. The same functions are also performed by the lower level supervisor.

21. Leadership quality: Leadership quality is developed in the persons who are working in the level management. According to **R.C. Davis,** "Management is the functions of executive leadership everywhere".

1.5　　NATURE OF MANAGEMENT

The study and application of management techniques in managing the affairs of the organisation have changed its nature over the period of time. Though management as a practice came long ago, in fact, with the existence of human groups themselves, its impact as a formal body of knowledge has been felt much later, particularly during the last five-six decades. Various contributions to the field of management have changed its nature, for example, from merely a practice to science also. Similarly, other changes have also occurred. Thus, the nature of management can be described as follows:

1.　　**Multidisciplinary.** Management is basically multidisciplinary. This implies that, although management has been developed as a separate discipline, it draws knowledge and concepts from various disciplines. It freely draws ideas and concepts

from such disciplines as psychology, sociology, anthropology, economics, ecology, statistics, operations research, history, etc. Management integrates the ideas and concepts taken from these disciplines and presents newer concepts which can be put into practice for managing the organisations. In fact, the integration of knowledge of various disciplines is the major contribution of management and this integrated discipline is known as management. Therefore, the contributions in the field can be expected from any discipline which deals with some aspects of human beings.

2. **Dynamic Nature of Principles**. Principle is a fundamental truth which establishes cause and effect relationships of a function. Based on integration and supported by practical evidences, management has framed certain principles. However, these principles are flexible in nature and change with the changes in the environment in which an organisation exists. Because of the continuous development in the field, many older principles are being changed by new principles. Continuous researches are being carried on to establish principles in changing society and no principle can be regarded as a final truth. In fact, there is nothing permanent in the landslide of management.

3. **Relative, not Absolute Principles**. Management principles are relative, not absolute, and they should be applied according to the need of the organisation. Each organisation may be different from others. The difference may exist because of time, place, socio-cultural factors, etc. However, individuals working within the same organisation may also differ. Thus, a particular management principle has different strengths in different conditions. Therefore, principles of management should be applied in the light of prevailing conditions. Allowance must be made for different changing environment.

4. **Management: Science or Art**. There is a controversy whether management is science or art. However, management is both a science and an art.

5. **Management as Profession**. Management has been regarded as a profession by many while many have suggested that it has not achieved the status of a profession.

19

6. **Universality of Management**. Management is a universal phenomenon. However, management principles are not universally applicable but are to be modified according to the needs of the situation. The nature of management suggests that it is a multidisciplinary phenomenon, its principles are flexible, relative and not absolute. It is both science and art; it can be taken as a profession and finally it is universal.

MANAGEMENT: SCIENCE OR ART

The controversy with regard to the nature of management, as to whether it is a science or an art, is very old. This controversy, however, is not very much in the air though the controversy is yet to be settled. Specification of exact nature of management as science or art or both is necessary to specify the process of learning of management. It is to be noted that the learning process in science differs from that of art. Learning of science basically involves the assimilation of principles while learning of art involves its continuous practice. Much of the controversy of management as science or art is on account of the fact that the earlier captains of industry and managers have used intuition, hunches, commonsense, and experience in managing organisations. They were not trained professional managers, although they were very brilliant and had developed commonsense through which they managed well. Commonsense and science differ in the following ways:

1. Commonsense is vague as compared to scientific knowledge.

2. Flagrant inconsistency often appears in commonsense whereas logical consistency is the basic of science.

3. Science systematically seeks to explain the events with which it deals; commonsense ignores the need for explanation.

4. The scientific method deliberately exposes claims to the critical evaluation of experimental analysis; commonsense method fails to test conclusions in any scientific fashion.

Science is based on logical consistency, systematic explanation, critical evaluation and experimental analysis. Thus, science can be defined as follows:

"*Science is a body of systematised knowledge accumulated and accepted with reference to the understanding of general truths concerning a particular phenomenon, subject, or object of study.*"

Thus, science is a systematised body of knowledge. The process of scientific theory construction and confirmation can be viewed as involving the following steps:

1.   The formulation of a problem or complex of problems based on observation;

2.   The construction of theory to provide answers to the problem or problems based inductions from observations;

3.   The deduction of specific hypotheses from the theory;

4.   The recasting of the hypotheses in terms of specific measures and the operations required to test the hypotheses;

5.   The devising of actual situation to test the theorem; and

6.   The actual testing in which confirmation does or does not occur.

Management as Science

Judging from the above features of formulation of theory in science, management cannot be regarded as science because it is only half-way. It may be called 'inexact science' or 'pseudo-science'. Perhaps this is true for all social sciences of which management is a branch. Management is not as exact as natural or physical sciences are. This phenomenon can be explained as follows:

1. Science may be viewed in terms of its structure, its goals, and its methods. In terms of its structure, it is a number of scientific disciplines: physics, biology, psychology, economics, management and many others. Each of these sciences attempts to provide a set of internally consistent hypotheses, principles, laws, and theories dealing with an aspect of total knowledge. To the extent a science is mature, such internal consistency may be attained but there are many young sciences like management that only approximate this state.

2. One of the most important rules of science is that the concepts have to be defined clearly in terms of the procedures involved in their measurement. One has to know exactly what one is talking about while using a particular term. Meanings have to be clear and unambiguous to avoid confusion and erroneous classification. However, in management, various terms are not used in the same way and giving same meaning. Even the major terms like management and organisation are used in different ways. The reason for this phenomenon is quite simple. Since the second decade of the last century, a number of disciplines have claimed to contribute to human knowledge of managing. These disciplines have been immature to be a science. The consequence has been almost unfathomable confusion over the various terms, a confusion in which ambivalence in using the various terms has played a conspicuous part.

3. In science, observations must be controlled so that causation may be imputed correctly. The most common method of eliminating a given factor as possible cause of an event is to hold it constant—to keep it from varying so that it cannot operate as a source of change. This is a difficult rule to follow, specially in studying organisational phenomena. Various research studies in management have suffered because of the biasness of researchers. In many studies, for example, a variable that was thought to be irrelevant was found to exert a causal influence. However, the effort to identify factors that must be controlled and to develop procedures to accomplish this is a continuing one. To the extent that this effort is successful, reliability of perception and reasoning, and hence valid explanation, is possible.

4. Theories in science are in terms that permit empirical confirmation. Scientific statements are testable and the tests are capable of repetition with same result. Furthermore, explanatory statements are logically consistent with other explanatory statements that have been frequently confirmed. Thus, rationality of total scientific system is maintained. However, this does not happen in management exactly. Many of the management principles lack empirical evidences and are not testable. Further, these principles do not give similar results under varying conditions and, therefore, lack universal application. No doubt, attempts are being made to evolve principles in management on the basis of scientific observations which may have universal application, but still the process is in an evolutionary stage. Until such principles are not evolved, management cannot be called a science in its true sense.

22

The various factors analysed above suggest that management is not a pure science but it can be simply called 'inexact science'. This is so because management also makes use of scientific methods in evolving principles. Therefore, it bears partial characteristics of science. In fact, many people have suggested that with greater use of mathematics and statistics in management, the direction is towards more and more use of true science in management. This is true but it must be remembered that management is not becoming mathematics, rather mathematics is being used to explain, codify, and help to decide issues in management. Mathematics is a basic abstract science. It is fundamental to other sciences. For example, it is basic to the study of physics. But it is not the mathematics that is the science of management but the use of mathematics helps in relating and understanding the activity of management. The knowledge consists in how and where to use mathematics in solving issues of managerial difficulty. Science may contribute to the solution of managerial problems in two ways: (i) existing research and theory relevant to the problem may be brought to bear on its solution and (ii) where sufficient time is available, research may be conducted to provide information not previously available and to guide solution accordingly. As the body of scientific knowledge bearing on management process increases, the first approach may receive wider application. However, second approach may have limited application because of the widespread time pressure on decision making for problem solution.

Management as an Art

Management can be regarded as an art also. The meaning of art is related with the bringing of a desired result through the application of skills. Whereas under science, one learns the 'why' of a phenomenon, under art, one learns the 'how' of it. Art is 'thus' concerned with the understanding of how particular work can be accomplished, that is, art has to do with applying knowledge or science or expertness in performance. This is specially important in management because in many instances, much creativity and adroitness in applying the managerial efforts are necessary to achieve the desired results. Furthermore, the adequate consideration of people involved in managerial action is vital and adds to the concept of the art of managing.

Science and art are complementary fields of endeavour; they are not mutually exclusive. The medical doctor requires the knowledge of science of chemistry, biology, and anatomy.

But excellence in absorbing these funds of knowledge does not make him an excellent physician. He has to apply his wealth of knowledge expertly, and his skill in perceiving how and when to use his knowledge is essential to his success in preventing and controlling diseases of mankind. Therefore, knowledge is not the sole qualification. Similarly, in management, if one student scores A grade and another scores B grade, it does not mean that the former would be a better manager than the latter. This is so because management is an art and a better manager is one who knows how to apply the knowledge in solving a particular problem. Management is an art can be seen from the following facts:

1.	The process of management does involve the use of know-how and skills like any other art such as music, painting, sculpture, etc.

2.	The process of management is directed to achieve certain concrete results as other fields of art do.

3.	Management is creative like any other art. Creativity is a major dimension in managerial success. It creates new situations for further improvement.

4.	Management is personalised meaning thereby that there is no 'one best way of managing'. Every person in his profession has individual approach and technique in solving the problems. The success of managerial task is related with the personality of the person apart from the character and quality of general body of knowledge.

Management: Both Science and Art

Thus, to be a successful manager, a person requires the knowledge of management principles and also the skills of how the knowledge can be utilised. Absence of either will result in inefficiency. It can be seen that management uses both scientific knowledge and art in managing an organisation. As the science of management increases so should the art of management. A balance between the two is needed. Neither should be overweighed or slighted. Some feel that further gains in science of management will restrict art more and more. This is true to a limited extent only. The fact remains that to be useful, knowledge of science must be applied, that is, art must be present. Therefore, the old saying that 'knowledge is power' is partially true. The

correct saying should be 'applied knowledge is power'. People having abundant knowledge may have little use if they do not know how to use such knowledge. This is particularly true for management which is a situational phenomenon.

Management as Profession

Management is regarded as profession by many, although it does not possess all the features of a profession. Therefore, it is desirable to find out whether management is a profession. Profession is an occupation for which specialised knowledge, skills and training are required and the use of these skills is not meant for self-satisfaction but these are used for larger interests of the society and the success of the use of these skills is measured not in terms of money alone.

Thus, all professions are occupations in the sense that they provide means of livelihood; however, all occupations are not professions because some of them lack certain characteristics of a profession. The various characteristics of profession may be: (i) existence of an organised and systematised body of knowledge; (ii) formal method of acquisition of knowledge; (iii) existence of an association with professionalisation as its goals; (iv) formulation of ethical codes and (v) service motives. Let us discuss the extent to which all these characteristics are found in management to determine whether management is profession or not.

1. **Existence of Knowledge**. A profession emerges from the establishment of fact that there is a body of knowledge which cannot be skirted around but has to be studied for being a successful professional. This is true for all professions including management. Management has been developed as a distinct body of knowledge over the last five-six decades. The development of knowledge in management field has been due to the need for managing complex and large organisations in a better way. Thus, management satisfies the requirement of a profession in the form of existence of knowledge. However, the concept of management is still evolving and continuously new principles are being developed though this does not affect its status as being a profession.

2. **Acquisition of Knowledge**. An individual can enter a profession only after acquiring knowledge and skills through formal training. For example, only law

25

graduates can enter the profession of legal practice. A professional is one who practices a profession and is regarded as an expert since he has mastery of a specific branch of learning upon which his occupation is based so that he may offer service to his client. However, the emphasis is put on the initial acquisition of knowledge through some formal method. From this point of view, management cannot be regarded as a profession because the entry to the managerial cadre in an organisation is not limited to management graduates only, though it can be said that management graduates can put in better performance in the organisation because of their familiarity with the various techniques of management.

3. **Professional Association**. An occupation, which claims to be a profession, should have an association. A professional association consists of firms and individuals whose membership is based on common professional, scientific, or technical aims. The representative body of professionals is needed to regulate and develop the professional activities. The body may also prescribe the criteria for individuals who want to enter the profession. In the field of management, there are associations at various levels. For example, in India, there is All India Management Association with its local chapters in most of the cities. Similarly in foreign countries also, there are associations of managers. However, managers do not belong to a single, unified professional group like Indian Medical Council for medical practitioners or Bar Council of India for legal practitioners. Instead, individuals and firms affiliate with a variety of interest groups falling into two categories: the trade associations and the professional, occupational, scientific, or technical interest. This is true throughout the world. From this point of view, management cannot be termed as true profession.

4. **Ethical Codes**. For every profession, some ethical standards are provided and every individual of the profession is expected to maintain conformity with these standards. The need for ethical codes arises because of the fact that occupations whose practitioners have mastery over an area of knowledge have a degree of power by virtue of their expertise and this power can be used for the benefit of the professionals at the cost of the society. This has

resulted in many occupations issuing a code of ethics of professional practice so that clients may know the standard and commitment that they should receive from a professional. In management also, a code of conduct has been formulated to suggest the behavioural pattern for professional managers. Though there is a lack of universally accepted ethical codes for managers throughout the world, in most of the countries, managers are supposed to be socially responsible, and it is their duty to protect the interest of all parties associated with an organisation. These parties may be customers, suppliers, employees, financiers, creditors, government, and the general public. However, the practice of ethical codes in management is not much prevalent in the absence of any controlling body as the management association is not fully representative of the professional managers. In fact, in India, many professional managers are not even aware of the code of conduct formulated by All India Management Association.

5. **Service Motive**. While ethical code provides the behavioural pattern for professionals, service motive concept suggests that professionals should keep social interest in their mind while charging fees for their professional services. It is essential because the monetary value of professional service cannot be measured easily in the absence of market mechanism except the competition among the professionals themselves. Since the professionals are in a position to charge higher fees by virtue of their expert knowledge, hence associating high monetary value for their service, the success of any profession is measured not in terms of money it earns but by the amount of social service it provides. This is true for management also. Management is an integrating agency and its contribution in the society by way of integrating various resources into productive units is very important for the stability of the society. This important contribution of management cannot be measured in terms of money alone because without the integrating effort of management, resources worth millions of rupees may be useless.

Management as an Emerging Profession

The above discussion shows that management possesses certain characteristics of profession while others are missing. Therefore, it cannot be said to be a profession, though it is emerging as a profession and the move is towards management as profession. For example, Reiss has classified profession into five categories and has suggested management as a would-be profession. According to him, five different types of professions in contemporary industrial society are as follows:

1.   Old established professions—founded upon the study of a branch of learning, e.g., medicine.

2.   New professions—founded upon new disciplines, e.g., chemists, social scientists.

3.   Semi-professions—based upon technical knowledge and practice, e.g., nurses, teachers, social workers.

4.   Would-be professions—familiarity with modern practices in business, etc. and aspiring to achieve professional status, e.g., personnel directors, sales directors, engineers, etc.

5.   Marginal professions—based upon technical skill, e.g., technicians, draughtsmen.

Management is being professionalised. The concept of professionalisation may be used to refer to the dynamic process whereby many occupations can be observed to change crucial characteristics in the direction of a profession even though these may not move very far in this direction. There are certain stages in the transition of an occupation into profession. Caplow has suggested that the first stage in this transition is the establishment of a professional association, followed by a change in occupational title. A code of ethics is published which portrays the social utility of the occupation, which is followed by legislation restricting specific practices to the occupation. He points out that concurrently with this go the development of training facilities and the control of admission to training and entry into the profession. Thus, the occupation controls every aspect of training and practice through various sub-committees of its professional association. From this point of view, management is fast moving towards

professional status. The main implications of professionalisation in management are found in five areas of development: (i) the growth of organised, systematised body of knowledge; (ii) the evolution of professional schools of management; (iii) a growing emphasis on the ethical behaviour of managers; (iv) the increasing number and use of management consultants; and (v) the large number of management associations. Management, however, does not control entry in the manner as many of the old established professions do but the educational requirement of future managers may provide a similar consequence. Moreover, the professional status of management should not be viewed in the context of controlled entry. This may be against the development of management itself. For example, Drucker has observed, "No greater damage could be done to our economy or to our society than to attempt to professionalise management by licensing managers or by limiting access to management to people with a special academic degree. Any serious attempt to make management scientific or a profession is bound to lead to the attempt to eliminate those disturbing nuisances, the unpredictability of business life—its risks, its ups and downs, its wasteful competition, the irrational choices of consumer— and, in the process, the economy's freedom and its ability to grow.' Drucker believes that economic performance and achievement are the proper aims of management and since a manager's primary responsibility is to manage, he should not devote time to activities such as professionalisation which lie outside, rather than within, the organisation. While this has certain merit, Drucker has used the concept of management as profession in a very strict sense. At the centre of professional aspect of management are the attitudes of managers toward their work.

Professional Approach in Management.

Management as a profession should not be defined in terms of the characteristics of a well-established profession like medicine or law in which entry is regulated based on qualifications, but in terms of the approach that is adopted by managers in managing the organisations. From this point of view, the key considerations in professional management are as follows:

1.   Commitment to professionally defined knowledge and techniques.

2.   Application of relevant modern management tools and techniques.

3. Team approach in managing rather than emphasis on personal styles, whims, and prejudices.

4. Preparedness to accept change and to apply the principles of change management.

5. Preference for competence rather than birth as the basis for movement in the organisational ladder.

6. Optimisation-oriented decision making expected to optimise the benefits to the organisation and its constituents.

7. Responsiveness to the society and respect for national policies.

1.6 PROFESSIONALISATION OF MANAGEMENT IN INDIA

The term 'professional management' has become a glamorous expression in corporate management in India. There is so much fascination that every company takes pride of pleasure in decorating itself as professionally-managed even though sometimes in total disregard to its professional attainment. The concept of professional management has become synonym of progressive and efficient management and since no one likes to be called backward and inefficient, there is obvious craze for the adoption of professional management title. However, the question arises: to what extent has Indian management been professionalised? To assess the present status of professionalisation of Indian management, not many studies have been conducted. The research is required to find out the extent to which Indian management has been professionalised. The basic characteristics of management as a profession are found in Indian management in varying degrees. Facilities of formal education in management, establishment of All India Management Association, growing divorce of ownership and management and formulation of a code of conduct by All India Management Association suggest that there is professionalisation of management in India. However, this is not the total picture of Indian management. At the same time, it is labelled as traditional management. These two contrasting views need further elaboration. From this point of view, Indian management can be divided into two parts: traditionally-managed sector and professionally-managed sector.

Traditionally-managed Sector

In common parlance, Indian management is described as 'family management' with 'traditional values'. The two distinguished features of family management are: (i) both ownership and control of the organisation are in the hands of the members of the family, and (ii)) organisational objective is to maximise profit even if it necessitates exploitation of the weaker sections of the society. This type of management maintains the control of the organisation by value system of the family and, often, there is great variation between the management styles of two organisations controlled by two different families. Organisational and managerial style has been retained by the family structure at the peak of the organisational pyramid and relative organisational positions of the family members are determined in accordance with their positions in the family. In majority of cases, power is personalised in a close-knit group tied with familiar relationship. Even in the areas where professionals manage to percolate, the managers are allowed to play only secondary role because of the limitations posed by the decision-making process.

The claim of some organisations that they have professionalised their management is not true because the mere appointment of some persons with professional degrees will not necessarily lead to professionalisation of management unless there is a change in management process. Professionalisation does not come automatically by employment of people with professional degrees, unless the professionals have the necessary authority and use their professionalism in decision making.

In a recent comment, Sumantra Ghoshal, considered to be management gum, has observed as follows:

"Entrepreneurs have enjoyed the fastest growth so far but this is not sustainable because much of this growth has come at the cost of destroying value .... The Indian private sector, largely dominated by family capitalism, must change and overhaul its governance structure. From feudal lordships, they must change to adopt the governance mechanisms of modem corporations."

In many public sector organisations, the situation is no better. It is an accepted fact that managers in many public sector organisations, particularly at higher levels, often greatly borrow the traits of bureaucracy, just as the top level private sector managers

31

carry family or business house traits, even though they have the facade of professionalisation. Many top level public sector managers have worked, lived, and imbibed the government way of working. This seriously comes in the way of initiative, innovativeness, and flexibility so essential for public sector organisations. Sometimes, civil servants, military personnel, and politicians who do not have commensurate professional competence are appointed to head public sector organisations. In such a case, one hardly expects any professionalisation at the lower levels also. Therefore, it can be suggested that in many private sector and public sector organisations, there is lack of professionalisation of management. Management, being a key factor in the economic development of the country and development of individual organisations, lack of professional content in it has been one of the main reasons for the unsatisfactory performance of these organisations. The technology which has been so frequently imported could not be put to the best possible use in the absence of commensurate professional management support. The basic reasons for lack of professional management are as follows:

1.   There appears to be attitudinal conservatism which checks the emergence of professional management. The popular belief that business is a matter of commonsense and luck reflects this attitude. This attitude has paid good dividends in the past because of controlled economy and lack of competition, and profit, a major yardstick of business success, has been assured. However, the situation is changing fast with increasing size of organisations, complexity of managing business, and more competitive environment. But very few business owners have realised this fact and others are clinging to the old concept of managing business.

2.   Most of the organisations in the private sector are generally one-man show. Often the owner also performs the functions of a manager. This is true not only for the small-scale organisations but also for the large ones even though they might have been organised as joint stock company form of organisations. Generally, the board is constituted to fulfill the legal requirement but real control lies in a single person. The owner who is an entrepreneur conceives the enterprise and builds it brick by brick. When he performs managerial functions, his perspective is quite different from the professional manager. Owner-manager's style of functioning is normally centralised and he believes in more direct control and often discourages professionalisation of management.

3.   The emergence and development of public sector enterprises have put pressure on the government to find out suitable managers for these enterprises. These managers were originally deputed from the civil services who had altogether different perspective and style of functioning. This style percolated throughout the organisation and public sector could not develop right type of managerial culture. This has also worked against the professionalisation of management in public sector. The situation in this respect is changing because the government has now realised the need for a suitable management cadre for this sector.

4.   Business in India has not yet reached the level of sophistication as in the developed countries requiring the use of sophisticated tools and techniques. By Western standard, the Indian business is still in its infancy. In the absence of proper development of business, the management pattern has also not developed. In fact, many sectors are still undermanaged. In such a case, there is very little scope for professionalisation of management in these sectors.

Professionally-managed Sector

As against traditionally-managed sector, there are various organisations, both in private sector as well as in public sector, whose management is highly professionalised. There are numerous such companies like Hindustan Lever Limited, ITC Limited, British Oxygen Limited, Infosys Technologies, Wipro, Tata Iron and Steel Company, TELCO, and so on in private sector and Bharat Heavy Electricals Limited, Oil and Natural Gas Commission, Indian Oil Corporation, etc., in public sector. These companies have inducted management graduates at various levels of management, introduced modern concepts of management, set organisational objectives conducive to social needs, and motivated their personnel to achieve high level of professional competence. The number of organisations falling in this category is increasing day by day. In fact, managers in this sector can be compared with their counterparts in western countries in terms of application of modern management techniques, attitudes towards management practices, and developing management concepts suitable for the country. The main reasons for the professionalisation in this sector are as follows:

1.   The most important factor contributing to professionalisation of Indian management is the international impact. It can be observed that modern management concepts were

first introduced by the subsidiaries and associates of multinationals operating in India. However, adoption of such techniques evoked mixed reactions in Indian corporate sector. While there was considerable admiration for the systems, there were many who believed that they were not in tune with Indian context. They questioned the validity of these Western concepts in Indian business and social context. However, since many of these subsidiaries and associates were quite successful in terms of their growth and profitability, it was assumed that the success was partly at least because of the application of such systems. With the increase in size and complexity of business organisations of Indian origin, many of them also adopted the sophisticated management techniques. The sheer necessities of managing large and complex businesses resulted in the re-examination of the traditional way of managing these businesses.

2.   Professionalisation of management in certain sector has been because of compulsion. For example, the public sector increased manifold during the plan periods. With the failure of the initial attempt of inducting non-professional managers in the public sector enterprises, the government took a decision to induct professional managers in these enterprises with the responsibility of professionalisation of the entire managerial cadre and process. This has paved the way for professionalisation of management in many public sector enterprises. In the same place, when the owner-managers were not able to manage the organisations because of increasing competition and consequently complexity of management, they yielded way to the professional managers. Over a period, there has been transformation of Indian business. The market has not remained protective and competition-free. The technology has undergone a sea-change. It may be observed that family management is effective in the early stages of economic development. However, once an organisation grows beyond a certain size, changes in the nature of managerial process in it demand that ownership and management should be divorced; that management positions should be held by persons who have professional skills and adequate training.

3.   While the above two factors have generated the need for professionalisation, availability of trained and educated professional managers has facilitated the process of professionalisation of management. After the Second Five Year Plan, there has been increasing emphasis on management education. Today, there are many Institutes of Management at Ahmedabad, Kolkata, Bangalore, Lucknow and other places which impart full-time management

education. There are, many management departments at various universities offering full-time management courses. Besides, there are many institutions and organisations which run short-term management development courses. Prominent among these are: Administrative Staff College of India, Management Development Institute, National Institute of Bank Management, National Productivity Council with local Productivity Councils, All India Management Association with local chapters at about forty places, National Institute for Training in Industrial Engineering (NITIE), etc. These bodies organise management development programmes of the duration ranging from 2 days to 12 weeks. In addition, many business organisations have also established their management development centres. Prominent among these are: Steel Authority of India, Life Insurance Corporation, most of the commercial banks, Rashtriya Chemicals and Fertilizers Limited in public sector and Tata Iron and Steel Company, TELCO, Hindustan Lever, ITC Limited, etc. in private sector. In fact, development of managers through some form of external exposure is given high priority in many organisations. Even comparatively smaller organisations are also sending their managers to short term management development programmes. This has resulted in a change in perspective of old own managers. The above discussion suggests that management in India is marching fast towards professionalization, though a large part of it is still traditional. However, in the time to come, the process of professionalization of management is likely to be faster because of the increasing complexity of managing business which is not possible for traditional management and also because of increasing availability of professionally trained managers.

1.7   SIGNIFICANCE OF MANAGEMENT

Management is a must for every enterprise. The existence of management ensures proper functioning and running of an enterprise. Management can plan the activities to achieve the objectives and utilise the available resources at minimum cost. Every business needs a direction. This direction is given by the management. The resources of production are converted into production. The resources will remain same as resources in the absence of management. The conversion process is performed through the co-ordination of management.

The significance or importance of management is briefly explained below:

1. **Management meets the challenge of change:** In the modern business world, there are frequent changes. The changes place the business in a dangerous position. Only an efficient management can save the business from the dangers brought in by the challenges.

2. **Accomplishment of group goals:** The achievement of objectives of a business depends upon three factors. The proper planning of available resources, adjusting possibility of business unit with existing business environment and the quality of decision taken and control made by the business unit are the factors responsible for achieving objectives.

3. **Effective utilisation of business:** There are eight M's in the business. These are said to be man, money, materials, machines, methods, motivation, markets and management. Management is the topmost of all other 'M's. Management has control over other remaining 'M's.

4. **Effective functioning of business:** Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective functioning of business. Management makes sure that the abilities of workers are properly used and co-operation is obtained with the help of mutual understanding. Besides, management can know the expectation of workers and the expectation is fulfilled through motivation techniques.

5. **Resource development:** Efficient management is the life boat of any developed business. The resources of the business may be identified and developed by the management. The term 'resources' includes men, money, material and machines.

6. **Sound organisation structure:** Management lays down the foundation for sound organisation structure. Sound organisation structure clearly defines the authority and responsibility relationship — who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.

7. **Management directs the organisation**: The human mind directs and controls the functioning of human body. Similarly, the management directs and controls the functioning of an organisation.

8. **Integrates various interests:** Each person has his own interests. These interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of an organisation.

9. **Stability:** The fluctuations of business are stablised by the management. The fluctuations of business are caused by the changing policy of the government, pressures on the part of competitors and changing preferences of customers. The efficient management can run the business as per the policy framed by the government, face the competitors in the market and produce the articles as per the preferences of customers.

10. **Innovation**: New ideas are developed by the management and implemented in the organisation. Better performance is achieved through new ideas.

11. **Co-ordination and team-spirit:** All the activities of business are grouped department-wise. Management co-ordinates the activities of different departments and establishes team-spirit to achieve the objectives.

12. **Tackling problems:** Good Management act as a friend or a guide of workers while tackling problems. When workers get over confidence of solving the problems for effective performance of a job, they fail in tackling the problems efficiently.

13. **A tool for personality development:** Management gives direction to workers for effective performance of a job. Besides, new methods or techniques are taught to workers. The training facilities are arranged by the management. In this way, management is a tool to develop the personality of workers to raise their efficiency and productivity ability.

1.8 SCOPE OR BRANCHES OF MANAGEMENT

Management is all pervasive since it is needed in all types of organised endeavour. Thus, its scope is very vast. Under the scope of management, the following activities are included:

(i)   Planning,

(ii)   Organising,

(iii)   Staffing,

(iv)   Directing,

(v)   Co-ordinating, and

(vi)   Controlling,

The operational aspect of business management, known as branches of management, is as under:

1.   Production management,

2.   Material management,

3.   Purchase management,

4.   Financial management,

5.   Personnel management,

6.   Marketing management,

7.   Office management.

Now we shall be discussing these branches in brief.

1.   **Production management**. Production refers to creation of goods and services. It is the process by which goods and services are created. Production management is concerned with the planning, organising and controlling of all activities related with the manufacture of goods and services. It deals

with the co-ordination of production operations of an enterprise. It is concerned with decision-making relating to processes for producing goods and services in accordance with the predetermined specifications and standards by incurring minimum costs. It becomes the process of effectively planning and regulating the operations of that part of an enterprise, which is responsible for actual transformation of materials into finished products. It is pertinent to note that production function should be managed in an efficient and effective manner for the achievements of the organisational goals.

Plant location and layout, production policy, plant facilities, purchasing and inventory control, production planning and control, quality and cost control, repairs and maintenance, research and development, etc. are the main problems involved in production management.

2. **Materials management.** It is concerned with the management of materials. It deals with the determination of policy with regard to procurement and disbursement of materials (quality, quantity, price etc) among the needy jobs without any delays. It is concerned with control of materials in such a manner, which ensures maximum return on working capital.

An effective system of internal control should be introduced to keep material costs within limits. This is possible only if a proper system of material management is introduced. It includes scientific purchasing, storage and handling of materials with minimum of misuse and wastage.

3. **Purchase management**. Purchase manager is concerned with the procurement of proper equipment, materials and supplies of the right quantities, at the right prices and at the right time. In view of the complex nature of the manufacturing activities today, purchasing has become a specialised function. Separate purchase departments are established in almost all large concerns. Where major activities consist of ordering material upon requisition by the users, checking receipts of the material and maintaining files and records of orders and price movement. The purchase department is linked very closely with the production department and has, therefore, to keep in touch with all the requirements of the production department. The

importance of purchasing function can be understood from the fact that it is responsible for spending the largest portion of a company's budget. Nearly half of the sales revenues flow back into the market through the purchasing system. It is obvious that efficient functioning of purchasing is vital for the continuous turning on the wheels of production and profitability of the enterprise.

4. **Financial management.** Management of finance refers to the procurement and effective utilisation of funds required in business. It is concerned with identifying, obtaining and utilisation of long term funds. The financial manager is concerned with procurement of funds from various sources, so that a firm always had at its disposal, adequate funds to finance the various business activities. He is also concerned with a proper use of these funds. The funds must be utilized in purchasing a proper mix of various types of assets. Financial management is thus a very important function. Many companies which are otherwise very profitable have had to declare insolvency, just bpcause their management of funds was not proper.Capitalisation, capital structure, fixed capital, working capital, accounting procedures, capital budgeting, dividend, policy, reinvestment of earnings etc. are the main issues in the financial management of an enterprise.

5. **Personnel management.** Personnel management deals with people at work. It consists of managing the human resources. It is concerned with the procurement, development, compensation, integration and maintenance of employees. Efficient system for man-power planning, recruitment,, selection, placement, orientation and training should be developed to ensure an efficient and contented work force. Effective management of human resources is one of the most crucial factors associated with the success of an enterprise. Wage and salary administration, performance appraisal, promotion policy, employee welfare services and benefits, labour absenteeism and turnover, industrial relations, personnel records and research are other important areas of personnel management.

6. **Marketing management.** Marketing is a process which carries goods from producer to ultimate consumer. Marketing bridges the gap between consumer

40

and producer. It is thus concerned with handling and transportation of goods from the point of production to the point of consumption. Marketing management implies the management of operations concerning the marketing of goods and services. It is concerned with planning, pricing and distributing want satisfying products to consumers. It aims to assess and anticipate present and potential demand. To create and to keep customers is the essence of marketing function. It involves the development and administration of an appropriate marketing mix consisting of product price, channel and promotion elements. Under marketing management, decisions have to be made regarding product design, package, brand name, pricing, channels of distribution, advertising, salesmanship, sales promotion, after-sale service, marketing research, etc.

7. **Office management**. This branch of management is concerned with planning, control and coordination of the office activities of an enterprise. One of the functions of management is to organize the office work in such a way that it helps the management in attaining its goals. It works as a service department for other departments. Office is the nucleus of operations and therefore, effective management of office activities is very important for the successful functioning of the enterprise. It is the art of guiding the personnel of the office in the use of materials, methods, machines, and equipment appropriate to their environment in order to achieve its specified purpose.

1.9   TYPES AND STAGES OF MANAGEMENT

Broadly speaking there are six types of management:

1. **Authoritarian management**. In family and proprietary concerns management is authoritarian. The owners themselves are responsible for the entire management. The growth of business depends upon the skill and Competence of proprietor. With better talents, brains, and specialised abilities, the proprietary or family business will convert itself into partnership or a joint stock company.

2.   **Centralized management**. The authority is centralized to facilitate wide spread application of knowledge and judgment of the top executives, to unify and integrate the total operations of the enterprise and to bring uniformity in action and risks. Authoritarian and centralized management represents revolution stage. The revolutionary stage reaches with the emergence of unified and decentralized management.

3.   **Unified management**. In this type of management, professional manager start asking for dispersal of responsibility with authority in a manner that will help each member in the management to feel responsible for his assignment.

4.   **Decentralized management**. In this type of management authority is decentralized. Fayol observes that everything that goes to increase the importance of subordinate's role is decentralization.

5.   **Bottom-up management**. The extreme form of decentralisation is bottom-up management. Whatever every individual is made to feel a proprietary responsibility his activities. In the words of **William Given,** "It gives people all along the management line a stimulating feeling of personal freedom; freedom to think and plan boldly; freedom to venture along new and untried paths; freedom to take calculated risks; freedom to fail." The success of decentralized and bottom-up management provides conditions for the culmination of managerial revolution.

6.   **Enterprise management**. It is type which belongs to post revolution stage. **Peter Drucker** observes that mass production has already, led to the formation of giant industrial enterprises in the U.S.A. bringing in their wake a new society. "The emergence of the enterprise has radically altered the pattern of society by creating two new classes the new ruling group of the executives and union leaders, and the new middle class; neither existed sixty or seventy years ago." The creation of this new society as a result of the growth of giant corporations is itself a revolution of different kind.

42

Whatever be the type, certain circumstances inside an enterprise like size and problems force management to rely more and more on the professional managers. The recognition of professional managers is the first sign of managerial revolution and the beginning of the end of status quo regarding reservation of authority.

1.10   MANAGEMENT, ORGANISATION AND ADMINISTRATION

Management and Administration

There has been divergent opinion among scholars over the question whether there is a difference between the terms 'management and administration. Some writers regard management and administration as one and the same thing, while -others take these terms as different. **McFarland** advocated that these are synonymous though he has pointed out minor distinction between these two terms in practice. According to him, "In government agencies, administration is preferred over management, although in recent years the term management has become widely used in government agencies."

Another possible distinction refers to the level of organisation. In business, the term administration refers to the activities of the higher levels in the managerial ranks. Still another distinction related to organisational level is that administration refers to the determination of major aims and policies, while management to the carrying out the operations designed to accomplish the aims and effectuate the policies. Here again, this distinction is not widely followed but it exists." On the analysis of the various views expressed in this regard, three conclusions can be drawn:

- Management and administration are two different functions.

- Management as a generic term includes administration.

- Management and administration are one.

1.   **Management and administration are different functions**. Some authorities on management-**Oliver Sheldon, W.R. Spriegel, Milward, Lansberg, William Scholz, Ordway Tead, and Florence** believe that administration involves the overall setting of major objective, determination of policies and decisions while management looks after the execution of these policies and decisions. **Leffingwell and Robinson** regard the

43

function of administration *"to determine the policies upon which the enterprise is to be conducted while the function of management is to carry out the policies laid down by the administrative group."*

According to the well-known British management expert **Oliver Sheldon**, Administration is the function in industry concerned in the determination of the corporate policy, the coordination of finance, production and distribution, the settlement of the compass of the organisation, and the ultimate control of the executive. "Management proper he holds," is the function in industry concerned in the execution of policy within the limits set up by administration and the employment of the organisation for particular objects set before it." **Florence and Tead** also support this view and consider administration as the process of thinking and management as the process and agency of actual operation. Similar view is expressed by **Spriegel:** "Administration is that phase of business enterprise that concerns itself with the overall determination of institutional objectives and the policies necessary to be followed in achieving those objectives. Management, on the other hand, is an executive function which is primarily concerned with carrying out board policies laid down by the administration."

2.   **Management as a generic term includes administration.** This view-point is subscribed by **Brech and Kimball and Kimball. E.F.L. Brech** says, "Management is a social process entailing responsibility for the effective in fulfilment of given purpose or task…. Administration is that part of management which is concerned with the installation and carrying out of the procedures by which the programme is laid down and communicated and the progress of activities is regulated and checked against plans. The Management Process takes place at the top, middle and lower levels of the organization, **Brech** divides management into three levels:

(i)   top management-responsible for policy formulation.

(ii)   Middle or functional management-responsible for planning, organizing, directing and controlling and;

(iii)   Lower management-responsible for supervision. Thus, at the top level administrative functions are more important and as one goes down the organization, administrative

44

functions decrease and managerial functions increase though all the functions are performed by managers.

3.   **Management and administration are one**. There are authors **Henry Fayol, Koontz and O'Donnell, Allen, Strong, Terry, Newman etc.,** who make no distinction between management and administration and use the two terms interchangeably. They believe that management is specialised activity required for running such social institutions as are composed of human beings. This specialised skill is called management in business and administration in government and other social institutions. Actually, the distinction between management and administration is misleading. The man who first pointed this out was **Henry Fayol**, the author of General and Industrial Administration. He has emphasized the general principles which can be used in all types of organisations. While speaking at the Second International Congress of Administrative Science, he said. "All undertakings require planning, organisation, command, co-ordination and control and in order to function properly, all must observe the same general principles. We are no longer confronted with several administrative sciences, but with one which can be applied equally well in private affairs. Thus, there is no distinction between management and administration.

In the actual working of business enterprises, it is difficult to indicate clearly what functions belong to administration and which one are the concern of management. The chairman of the board of the company or its managing director will be concerned with both policy making and implementation of plans. For this reason, no distinction is made between management and administration and the two terms are used interchangeably.

45

On the basis of the various views expressed, the main points of distinction between management and administration may be summarised as follows:

Basis of difference	Administration	Management
1. Nature of work	It is concerned mainly with the determination of objectives and major policies of an organisation.	It puts the policies and plan into action laid down by administration.
2. Type of Function	It is a thinking or determinative function.	It is 'doing' executive function.
3. Scope	It takes major decisions about the enterprise as a whole.	It takes decisions within the frame work set by the administration.
4. Level of authority	It is a top level activity.	It is a middle level activity.
5. Nature of status	It generally consists of the owners of the enterprise who invest capital and receive profits for their services.	It refers to a group of managerial personnel with specialized knowledge who may be the employees.
6. Nature of organisation or usage.	Generally, it is more popular in government, military educational and religious organisations.	It is used mainly in business enterprises, which have economic motives.
7. Decision – making	Its decisions are generally influenced by public opinion, government policies and social and religious factors.	Managerial decisions are influenced by the values, opinions and beliefs of managers.

8. Direction of human efforts.	It is not actively concerned with the direction of human efforts in the execution of the plan or policy.	It is mainly concerned with the direction of human efforts in the execution of the plan and policy.
9. Main Function.	Planning and organisation functions are involved in it.	Motivating and controlling functions are involved in it.
10. Administrative v/s technical ability	It needs administrative rather than technical ability.	It requires technical ability more than administrative ability.
11. Co-ordination and Control	It co-ordinates finance, production and distribution. It frames the organisation structure and exercise control over the enterprise.	It uses organisation for the achievement of the targets fixed by administration.

Management, Organisation and Administration

In order to make distinction among various functions performed in organising and operating a business enterprise, three distinct terms are used by the management thinkers. Administration, Management and organisation are the common concepts sometimes referred in almost synonymous sense. But with the coming of industrial revolution, the size of business enterprises has become quite large. With this the activities of management are becoming more specialised and technical, the three terms have specific meanings.

Oliver Sheldon has distinguished between administration, management and organisation in the following words:

"Administration is the function in industry concerned in the determination of corporate policy, the co-ordination of finance, production and distribution, the

47

settlement of the compass of the organisation and the ultimate control of the executive."

"*Management is the function in industry concerned in the execution of policy within the limits set up by administration and the employment of the organisation for the particular objects set before it.*"

"*Organisation is the process of so combining the work which individuals and groups have to perform with the faculties necessary for its execution that the duties, so formed provide the best channels for the efficient, systematic positive and coordinated application of the available effort.*"

Organisation is the formation of an effective machine; management of an effective executive and administration, of an effective direction. Administration determines the organisation, management uses it. Administration defines the goals; management strives towards it. Organisation is the machine management in its achievement of the ends determined by the administration.

J.N Schulze in a paper read to the Taylor Society and published in the Bulletin of the society for August 1919, has differentiated between 'Administration' 'Management', and 'Organisation' in the following words:

"*Administration is the force which lays down the object for which an organisation and its management are to strive and the broad policies under which they are to operate.* "

"*Administration is the force which leads, guides and directs an organisation in the accomplishment of predetermined object.*"

"*An organisation is the combination of the necessary human beings, materials, tools, equipment, working space and appurtenances brought together in systematic and effective correlation to accomplish some desired object.*

According to above definitions, operating an enterprise requires clarification of objectives and policies and efforts to execute those for getting the maximum possible profits. The determination of objectives and preparation of plans and policies is an administrative activity. Administration is concerned with the announcement of aims

and objectives and deciding of methods to be followed for the fulfilment of the objectives.

Similarly, G.E. Milward has distinguished the three words as below: —

"*Administration is primarily the process and the agency used to establish the object or purpose which an undertaking and its staff are to achieve. Secondly, administration has to plan and to stabilize the broad lines or principles which will govern action. These broad lines are mjheir turn usually called policies.*"

Management is the process and the agency through which the execution of policy is planned and supervised.

Organisation is the process of dividing work into convenient tasks or duties of grouping such duties in the form of posts, of delegating authority to each post and of appointing qualified staff to be responsible that the work is carried out as planned.

The administrative duties are called as thinking function while managing duties are regarded as doing function, both being performed through the web of organisation. Administration decides what is to be done, management directs as to how it is to be done while organisation consists of arrangements as to who should do. Administrative and managerial functions permeate throughout the organisational set up of the organisation.

A careful analysis of the above definitions leads to the conclusion that management is wide term administration and organisation are its parts.

Sometimes, executive functions in the business are referred to as 'management', whereas the executive functions of other institutions (e.g., government or public bodies) are termed as 'Administration'. Functionally speaking every officer has to fulfill the dual role of administration and management in varying degrees. For instance, the middle executives have to be associated with policy making and in the determination of the broad objectives though on a limited scale, whereas top executives, besides determining objectives and initiating policy-decisions have often to guide and direct managerial functions at the middle and lower levels. Thus, it is difficult to separate the functions of 'thinking' and 'doing'. **Theo Haimann** also says, *"No two separate sets of personnel are required, however,*

49

to discharge administrative managerial functions. Each manager performs both activities and spends part of his time administrating and part of his time managing.'

In the end, it may be said that the top or upper level management may be called as 'Administrative Management, and the lower level management as 'Operative Management'. Both the administrative and the managerial functions must be balanced properly if the business is to grow and be able to meet the new challenges. It may be said that 'Administration' and 'Management are the driving force of 'Business', which, with the help of 'Organisation', strives to attain the objective of more, better and economical production. Simply stated, if management is the 'brain', organisation is the 'body' of an enterprise.

On the basis of the various views expressed the main points of distinction between Management and Organisation may be summnarised as under: -Therefore, executive should take adequate care to overcome these problems.

Management	Organisation
1. It is an executive function which is- primarily concerned with the getting things done through others.	1. It is an organic function of putting together the different parts of an enterprise into working order.
2. Planning, organisation, staffing, motivation, direction, co-ordination and control are all functions of management.	2. Organisation is one of the important functions of management.
3. Management functions are executed by bringing into being an organisation.	3. Organisation is the frame-work of management.
4. It is like the entire body of a human being	4. It is like the nervous system of a human body.
5. There are different levels in management viz, top management, middle management, etc.	5. There are no such levels in organisation.

6. Management uses the organisation determined by administration.	6. Organisation is the machine of management in its achievement of the ends determined by administration.

1.11 LEVELS OF MANAGEMENT

An enterprise may have different levels of management. Levels of management refer to a line of demarcation between various managerial position in an enterprise. The levels of management depend upon its size, technical facilities, and the range of production. We generally come across two broad levels of management, viz (i) administrative management (i.e., the upper level of management) and (ii) Operating management (i.e., the lower level of management). Administrative management is concerned with "thinking" functions such as laying down policy, planning and setting up of standards. Operative management is concerned with the "doing" function such as implementation of policies, and directing the operations to attain the objectives of the enterprise.

But in actual practice, it is difficult to draw any clear cut demarcation between 'thinking' function and 'doing' function. Because the basic/fundamental managerial functions are performed by all managers, irrespective of their levels or, ranks. For instance, wage and salary director of a company may assist in fixing wages and salary structure as a member of the Board of Directors, but as head of wages and salary department, his jobs is to see that the decision are implemented.

The real significance of levels is thaUhey explain authority relationships in an organisation. Considering the hierarchy of authority and responsibility, one can identify three levels of management.

(i) **Top management** of a company consists of owners/shareholders, Board of Directors, its Chairman, Managing Director, or the Chief Executive, or the General Manager or Executive Committee having key officers.

(ii) **Middle management** of a company consists of heads of functional departments viz Purchase Manager, Production Manager, Marketing Manager, Financial controller, etc. and divisional and sectional officers working under these functional heads.

51

(iv) **Lower level or operating management** of a company consists of Superintendents, Foremen, Supervisors, etc.

1. **Top management:**

Top management is the ultimate source of authority and it lays down goals, policies and plans for the enterprise. It devotes more time on planning and coordinating functions. It is accountable to the owners of the business of the overall management. It is also described as the policy making group responsible for the overall direction and success of all company activities. The important functions of top management include :

(a) To establish the objectives or goals of the enterprise.

(b) To make policies and frame plans to attain the objectives laid.

(c) To set up an organizational frame work to conduct the operations as per plans.

(d) To assemble the resources of money, men, materials, machines and methods to put the plans into action.

(e) To exercise effective control of the operations.

(f) To provide overall leadership to the enterprise.

2. **Middle management** :

The job of Middle Management is to implement the policies and plans framed by the top management. It serves as an essential link between the top management and the lower level or operative management. The responsible to the top management for the functioning of their department They devote more time on the organisation and motivation functions of management. They provide the guidance and the structure for a purposeful enterprise. Without them the top management's plans and ambitious expectations will not be fruitfully realised. The following are the main functions of middle management.

(a) To interpret the policies chalked out by top management.

(b) To prepare the organisational set up in their own departments for fulfilling the objectives implied in various business policies.

(c) To recruit and select suitable operative and supervisory staff.

(d) To assign activities, duties and responsibilities for timely implementation of the plans.

(e) To compile all the instructions and issue them to supervisors under their control.

(f) To motivate personnel to attain higher productivity and to reward them properly.

(g) To co-operate with the other departments for ensuring a smooth functioning of the entire organisation.

(h) To collect reports and information on performance in their departments.

(i) To report to top management.

(j) To make suitable recommendations to the top management for the better execution of plans and policies.

3. **Lower or operative management**

It is placed at the bottom of the hierarchy of management and actual operations are the responsibility of this level of management. It consists of foremen, supervisors, sales officers, accounts officers and so on. They are in direct touch with the rank and file or workers. Their authority and responsibility is limited. They pass on the instructions of the middle management to workers.

They interpret and divide the plans of the management into short-range operating plans. They are also involved in the process of decisions-making. 'They have to get the work done through the workers. They allot various jobs to the workers, evaluate their performance and report to the middle level management. They are more concerned with direction and control functions of management. They devote more time on the supervision of the workers.

To facilitate understanding, the job contents of these levels of management are tabulated below:

Characteristics	Top Management	Middle Management	Lower Management
1. Stress on policy formulation	Much	Moderate	Minimum
2. Time span	Long range	Intermediate	Short range
3. Skill required	Creative	Persuasive	Technical
4. Scope	Very large	Large functional	Small sub functional
5. No. of persons	Few	Moderate	Easy
6. Evaluation	Difficult	Less difficult	Easy
7. Nature	Complex	Less complex	Simple

1.12 EVOLUTION OF MANAGEMENT THOUGHT

The management thought or theory in the current economic situation (1980 onwards) can best be understood in the light of its historical growth particularly since 1900. Similarly, the future of management thought can be anticipated by knowledge of the past as well as understanding of the present. We deal with the evolution of management theory and concepts and then we will have a firm grasp over the current thoughts on management, viz. systems approach and contingency approach to organisation and management.

The evolution of management thought may be divided into three broad stages:

(A)   The classical theory of management comprising three streams : (i) Bureaucracy; (ii) Scientific management; and (iii) Process management Theory describing the process of management. Weber introduced

54

bureaucracy around 1900. F.W. Taylor introduced scientific management around 1910. H. Fayol inaugurated process management (functional or administrative management) around 1910.

(B)   The neo-classical theory covered two streams dealing with human factor, *viz*. (*i*) Human Relations; and (*ii*) Behavioural Sciences Approach.

E. Mayo and Roethisberger pioneered human relations movement around 1930. Maslow, McGregor, and others launched behavioural sciences movement around 1940. (Refinement of human relations movement).

(C)   The Modern Management theories again comprised three streams of thought; (*i)* Technical and quantitative sciences offering quantitative decision-making through operations research and with the help of computer and information system; (*ii*) Systems approach to organisation and management, and (*iii)* Contingency approach to organisation and management.

Fig. 1.1. Schools of Management Thought/Approach
55

The following Management Theories are described under the following heads:–

A. Classical Theory of Management/Organisation

- Bureaucracy,

- Scientific management,

- Management process.

B. Neo-classical Approaches

- Human relations/ behaviour,

- Behavioural and social sciences.

C. Modern Streams of Management Thought.

- Management science (Quantitative Approach).

- Systems approach.

- 7-S approach.

- Operational approach.

- Managerial roles approach.

- Contingency approach.

D. Management Thought: Indian wisdom (Value-oriented holistic approach).

An approach to Management Thought in the 21st century as Eastern Insight expressed in Japanese Management also.

Quantitative approach to management, sometimes called operations research or management science, was developed during World War II by Blackett, Churchman and others and it was applied in business management around 1950. Systems approach was introduced by Bertanlanffy, Boulding and others around 1960. Contingency approach was introduced by Joan Woodward. Fiedley, P. Lawrenc, J. Lorsh and others around 1970 and it seems better suited to lead management out of the so-

called management theory jungle. In fact, contingency approach was pioneered by Pigors and Myers in personnel management particularly even before 1970. Today, contingency approach integrates admirably all prior management thoughts and we now recognise that an organisation is an open adaptable system and it has three sub-systems. viz: (i) Human or social system dealing with human resources, (ii) Transformation or technical system for processing inputs into outputs, and (iii) Management or administrative system in charge of managing technical and social systems. In the 21st century we hope that in the Management World, enlightened Management in India and abroad would introduce Indian Wisdom (Value-oriented Holistic Approach for Effective Management, so that Management can solve all problems arising out of absence of human and ethical values, *e.g.,* Corruption, Exploitation, Pollution, etc., and enterprises would restore their bright image.

A. CLASSICAL THEORIES OF MANAGEMENT

At about 1900, a set of principles and concepts about organisation and management, now called as classical theory, began to be extensively developed. Even at present the influence of classical theory of organisations is quite remarkable. The existence of complex and large organisations even today can be accounted appreciably through classical concepts of management thought. Under classical theory of management, an organisation is the structure of the relationships, objectives, roles, activities and other factors when persons work together. This point of view regarding an organisation is expressed fully by three streams of the classical theory, viz: (i) Bureaucracy; (ii) Scientific Management; and (iii) Process Management. We have mechanistic structure of an organisation and it is considered as a closed system. Let us describe the three streams of classical theory of management.

Features of Management in the Classical Period: (1) It was closely associated with the industrial revolution and the rise of large-scale enterprise which demanded the development of new forms of organisation and management practices. (2) Traditional or classical organisation and management theory is based upon contributions from a number of sources, including scientific management, administrative management theory, the bureaucratic model, micro economics and public administration. (3) Management thought is focussed on (a) job content, (b) structure, (c) division of labour, (d) tasks of management (e) standardisation,

simplification and specialisation. (f) scientific approach towards organisation and management, (g) primary incentives based on the economic and physiological needs of the workers.

Traditional theory was based on three pillars: (1) bureaucratic model. (2) scientific management and (3) administrative or process management theory. We will describe, in brief, these three pillars.

i. Bureaucratic Model (Max-Weber— 1864-1920)

The first pillar or thread in the classical organisation and management theory was systematically provided by Max Weber (1864-1920) a German Sociologist. He offered bureaucratic model for management of any large and complex organisation in any branch of human activity. He considered bureaucracy as the most efficient form for a complex organisation.

Elements of Bureaucracy: The elements of bureaucracy are vital parts of modern business, governmental, educational and other complex organisations. These elements are: (*i*) Hierarchy of authority involving superior—subordinate relationship and chain of command;
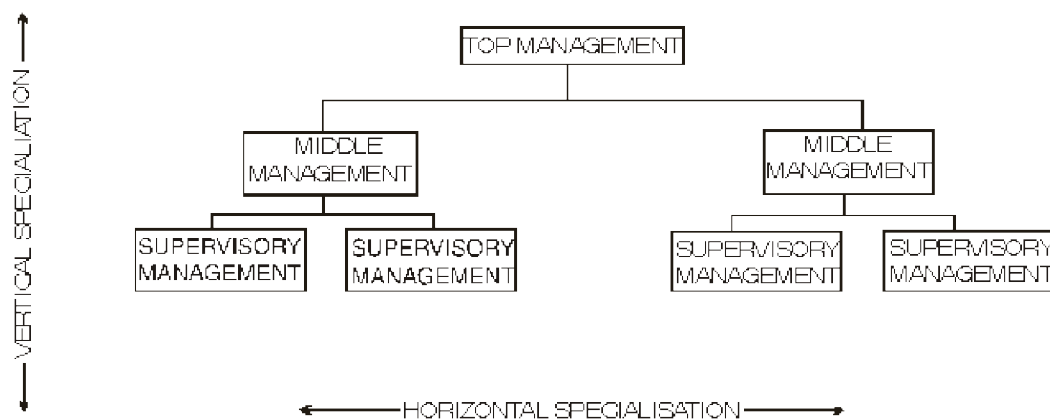

Fig. 1.2 The Bureaucratic Structure

(ii) Clear-cut division of work, based upon competence and functional specialization. An ordered hierarchy takes the advantage of specialisation; (iii) A system of rules, regulations and procedures. A bureaucrat seeks rationality routine, objectivity and consistency for his organisation. Behaviour is subject to systematic discipline and

58

control; (iv) A rule by law leads to impersonality of interpersonal or mutual relations. Interpersonal relations are based on positions and not on personalities. We have mechanical and impersonal behaviour; (v) A system of work procedures involving standardisation of methods; (vi) Selection and promotion of employees based upon managerial and/or technical competence; and (vii) Authority and power rest in the office. Bureaucracy recognises only legal power and authority given to each office or position in the organisation. The power does not belong to an individual. It is a part of the office.

Assessment of Bureaucracy

Bureaucracy provided a rigid machine model of an organisation. It could not account for humanistic model of an organisation which could recognise importance of human, interpersonal or mutual relations in an organisation. Bureaucratic organisation may be preferred where change is not anticipated or where rate of change is slow and it can be predicted. In a stable or static organisation (considered as closed system) bureaucracy can work and may be preferred. It is usual in government and in many stable large businesses. But in a dynamic business organisation (considered as on open system) we cannot use bureaucracy. There are many glaring disadvantages in bureaucratic organisations: rigidity, impersonal and mechanical or dehumanised environment, higher cost of controls, tendency to forget ultimate goals of the organisation, self-prepetuation and empire building, difficulty of co-ordination and communication, blind faith in rules, regulations and procedures. Above all, bureaucracy cannot offer satisfaction of higher level wants of employees and to that extent it fails miserably to exploit fully the human potential. It offers limited scope for the development of human resources or for management development. Many of the problems of bureaucracy probably would be reduced if the individual needs and characteristics of all people are remembered and are duly considered in making managerial decisions. In other words, we must humanize bureaucracy.

Note: (1) The term bureaucracy is currently used in two ways: (a) technically, as by Weber, and (b) popularly, to characterize the red tape and inefficiencies of governmental administration. (2) Bureaucracy seems to naturally and logically evolve as organizations become larger and more complex.

Contribution to Management by F. W. Taylor

i. Scientific Management (F.W. Taylor)

F.W. Taylor (1856-1915) eventually becomes acclaimed as "the Father of Scientific Management." He provided a base upon which much of our current thinking about management is firmly established. He published his famous book 'The Principles of Scientific Management in 1911.

Taylor, Gilbreth, (Frank and his wife, Lillian), Gantt and others launched what they called scientific management. According to these experts it was not proper to just find a way of doing something. A manager has to find the one right way. They used time and motion study for developing a right way. According to them analysis, planning and control of work should be separated from the execution of work and management should be responsible for detailed analysis, investigation and planning of work in advance whereas workers should be responsible for the performance of the work as per plans.

Scientific management revolutionised the entire shop or plant management. It led to the development of time and motion study, and it refined wage incentive plans. It provided necessary foundation for industrial engineering. If we take a broad view of Taylorism or scientific management, the contributions of Taylor and his eminent followers were truly outstanding and many features of their contributions have proved to be enduring and classical. The basic theme of Taylor was that managers should study work scientifically in order to identify "one best way" to get the job done. Taylor codified his ideas in terms of certain principles which were very popular. The essence of positive view of scientific management was described by Taylor as follows:

(i) All jobs can be observed and analyzed in order to determine the one best way of accomplishing them. Management must use scientific, rather than the rule of thumb approach. (ii) The best man for the job can be scientifically selected and trained. (iii) You can insure that the one best way is followed by paying the man on incentive basis tying his wage or salary to how much he produces. (iv) Put a manager in charge of analyzing, planning, preparing and inspecting work. The worker simply carries out the directions and instructions issued by the manager. (v) Harmonious organization can be obtained by assigning the appropriate man to each set of operations. This will

prevent any discord. (vi) Management has to choose the best means of economical production. Specialization of workers is essential to increase efficiency of production. (vii) Co-operation between labour and management can be achieved. This will ensure maximum output, in place of restricted output by workers. (viii) A striving for enterprise and the development of each man to his greatest efficiency and prosperity must be accomplished. (ix) Workers must be inspired or trained to use the scientific methods developed through time and motion study. (x) Management must organize in such a way that it can properly manage and carry out its duties. Frank and Lillian Gilbreth, Henry Gantt, George Berth, Edward Felen, etc. Scientific management was concerned essentially with improving the operational efficiency at the shop floor level. **Taylor has defined scientific management as follows:**

"Scientific management is concerned with knowing exactly what you want men to do and then see in that they do it in the best and cheapest way."

Since Taylor has put the emphasis on solving managerial problems in a scientific way, often, he is called as father of scientific management and his contributions as the principles of scientific management. Though his contributions have become traditional in present day context, still the label scientific management is used for his contributions. It does not mean that present-day management thoughts and practices are not scientific. In fact, management as a science has been taken much later than the contributions of Taylor.

Taylor joined Midvale Steel Company in U.S.A. as a worker and later on became supervisor. During this period, he continued his studies and eventually completed his M.E. (Master of Engineering). Subsequently, he joined Bethlehem Steel Company. At both these places, he carried experiments about how to increase the efficiency of people. Even after his retirement, he continued to develop scientific management. On the basis of his experiments, he published many papers and books and all his contributions were compiled in his book 'Scientific Management'. Taylor's contributions can be described in two parts: elements and tools of scientific management and principles of scientific management.

B. NEO-CLASSICAL THEORY

Classical theory was job oriented and it focused its attention on scientific job analysis.

61

Neoclassical theory focuses its attention on the worker and it is employee-oriented. Now we have a shift in managerial style from product-centred in a modern plant. Plant layout, machinery, tools etc., must offer employee convenience and facilities. Neoclassical theory is built upon the success of classical theory. The pillars of classical approach—order, rationality, structure etc.,—have been modified by the neoclassical movement.

i. Behavioural approach

Neo-classical theory is called human relations and behavioural science movement. It is built on the base of classical theory. It modified, improved and extended the classical theory. Classical theory concentrated on job content and management of physical resources. Neo-classical theory gave greater emphasis to man behind the machine and stressed the importance of individual as well as group relationships in the plant or workplace. The behavioural science approach to management is the core of psychology and sociology in the understanding of individual as well as group behaviour in an organisation. It advocated the importance of human values in business. Original goals and values may be followed too excessively that this itself becomes end for the organisation. Over the period, people are provided incentives on such behaviour. For example, rules are means for achieving organisational goals but following of rules may become the objective of the organisation and organisational objectives may become secondary. People may be judged on the basis of observance of rules and not results. For example, in government organisations, the performance may be judged on the basis of whether expenditure has been incurred on the lines of rules and regulations. Thus, expenditure becomes the criterion of performance measurement and not the results achieved through expenditure.

(a) **Unintended consequences.** In bureaucratic structure, there may be many consequences which have not been visualised but which emerge because of the system. Such unintended consequences may be of following nature :

1. There may be trained incapacity in the organisation. Trained incapacity relates to a phenomenon where a person is trained at the matter from a single point of view. Thus, he does not see beyond his training and tries to correlate the matter with total situation on the basis of his training. This happens because of excessive specialisation.

62

2. There is conflict between professionals and bureaucrats. The basic reason of conflict is the difference in orientation of professionals and bureaucrats. Professionals try to work according to their discipline for efficiency while bureaucrats try to emphasise rules and regulations.

3. Often there is conflict between organisation and individuals. There are many characteristics of bureaucratic organisation which work against human nature. For example, human beings work better when there is comparatively free environment but bureaucratic organisation puts more restrictions through rules and regulations. Thus, people try to avoid these rules and regulations.

(b) Inhuman organisation. Perhaps the most important criticism of bureaucracy has come from behavioural scientists who have emphasised on human bahaviour in the organisation. According to them, bureaucratic structure is inhuman and works like machine in which there is no importance of human beings. For example, Argyris holds the view that individual moves from immaturity to maturity and over the period he matures, while bureaucratic organisation is designed to suit immature personality. A mature personality requires less control, innovation in behaviour, and flexibility in working. The design of bureaucratic structure is against these features. Thus, bureaucracy works against the basic nature of human behaviour.

A pioneering criticism of bureaucracy comes from organisational psychologist, Warren Bennis. He sees the model as overly mechanical and no longer useful. The flaws and dysfunctions of the bureaucratic organisation are extensive but the main are as follows :

1. It is inhumane and denies man's needs.

2. It is incompatible with the development of a mature personality.

3. It promotes conformity.

4. It does not consider the informal organisation and interpersonal difficulties.

5. The hierarchy interferes with communication.

6. Innovation and new knowledge are stifled.

63

7. It is ineffective in a turbulent environment.

These criticisms are representative of the lack of human aspect of bureaucracy. The thrust of these criticisms is that bureaucratic structure makes inadequate assumptions about the real nature of human beings and does not address itself to the interaction of people within the organisation.

(c) **Closed-system perspective**. Bureaucratic organisation has closed-system perspective. Though a social organisation cannot be a totally closed system but it may lean towards closed system in its working. A closed system is self-contained and self maintaining. It is generally rigid and static. It ignores external conditions and makes no allowances for adapting to changes in the environment. In other words, It is viewed as operating within a vacuum. Specific characteristics of closed-system social organisation include predictability, rationality, optimisation, internal efficiency, and certainty. Since behaviour is assumed to be functional and all outcomes predictable, those activities that take place in the environment—that is changes in social, political and economic and other factors—can be ignored.

Bureaucratic structure can work well when environment is highly static and predictable. However, the nature of environment for large organisations of today is highly dynamic and heterogeneous. In dynamic environment, more interaction between organisation and environment is required. There is high need for information monitoring and processing. Thus, an open-system perspective is more suitable for the management of modern-day organisations while bureaucratic structure has closed-system perspective.

ii. **Hawthorne experiments and human relations**

Many of the findings of earlier writers, particularly of scientific management, which focused attention on the mechanical and physiological variables of organisational functioning were tested in the field to increase the efficiency of the organisations. Surprisingly, positive aspects of these variables could not evoke positive response in work behaviour, and researchers tried to investigate the reasons for human behaviour at work. They discovered that the real cause of human behaviour was something more than mere physiological variables. Such findings generated a new phenomenon about the human behaviour and focused attention on the human

beings in the organisations. As such, this new approach has been called 'human relations approach of management'.

Even in the writings of classical approach, notably, Taylor, Fayol, Henry Gantt, Follet, Urwick, and others, the human element in the organisation was recognised, but they emphasised it very little. The human relations approach was born out of a reaction to classical approach and during the last seven decades, a lot of literature on human relations has been developed. The essence of the human relations contributions is contained in two points : (i) organisational situation should be viewed in social terms as well as in economic and technical terms, and (ii) the social process of group behaviour can be understood in terms of clinical method analogous to the doctor's diagnosis of the human organism. Among human relations approach, there are many contributions and many more researches are being carried on. For the first time, an intensive and systematic analysis of human factor in organisations was made in the form of Hawthorne experiments. There will be relatively lengthy discussion of the results and implications of the Hawthorne studies because of their historical importance to the behavioural approach to the analysis of management problems.

The Hawthorne plant of the General Electric Company, Chicago, was manufacturing telephone system bell. It employed about 30,000 employees at the time of experiments. Although in respect of material benefits to the workers, this was the most progressive company with pension and sickness benefits and other recreational facilities, there was great deal of dissatisfaction among the workers and productivity was not upto the mark. After the utter failure of an investigation conducted by efficiency experts, in 1924, the company asked for the assistance from the National Academy of Sciences to investigate the problems of low productivity.

In order to investigate the real causes behind this phenomenon, a team was constituted led by Elton Mayo (psychologist) Whitehead and Roethlisberger (sociologists), and company representative, William Dickson. The researchers originally set out to study the relationship between productivity and physical working conditions. They conducted various researches in four phases with each phase attempting to answer the question raised at the previous phase. The four phases were as follows :

1. experiments to determine the effects of changes in illumination on productivity, illumination experiments (1924-27),

2. experiments to determine the effects of changes in hours and other working conditions on productivity, relay assembly test room experiments, 1927-28;

3. conducting plant-wide interviews to determine worker attitudes and sentiments, mass interviewing programme, 1928-30; and

4. determination and analysis of social organisation at work, bank wiring observation room experiments, 1931-32.

1. Illumination experiments

Illumination experiments were undertaken to find out how varying levels of illumination (amount of light at the workplace, a physical factor) affected the productivity. The hypothesis was that with higher illumination, productivity would increase. In the first series of experiments, a group of workers was chosen and placed in two separate groups. One group was exposed to varying intensities of illumination. Since this group was subjected to experimental changes, it was termed as experimental group. Another group, called as control group, continued to work under constant intensities of illumination. The researchers found that as they increased the illumination in the experimental group, both groups increased production. When the intensity of illumination was decreased, the production continued to increase in both the groups. The production in the experimental group decreased only when the illumination was decreased to the level of moonlight. The decrease was due to light falling much below the normal level. Thus, it was concluded that illumination did not have any effect on productivity but something else was interfering with the productivity. At that time, it was concluded that human factor was important in determining productivity but which aspect was affecting it was not sure. Therefore, another phase of experiments was undertaken.

2. Relay assembly test room experiments

Relay assembly test room experiments were designed to determine the effect of changes in various job conditions on group productivity as the illumination experiments could not establish relationship between intensity of illumination and production. For

66

this purpose, the researchers set up a relay assembly test room and two girls were chosen. These girls were asked to choose four more girls as coworkers. The work related to the assembly of telephone relays. Each relay consisted of a number of parts which girls assembled into finished products. Output depended on the speed and continuity with which girls worked. The experiments started with introducing numerous changes in sequence with duration of each change ranging from four to twelve weeks. An observer was associated with girls to supervise their work. Before each change was introduced, the girls were consulted. They were given opportunity to express their viewpoints and concerns to the supervisor. In some cases, they were allowed to take decisions on matters concerning them. Following were the changes and resultant outcomes :

1. The incentive system was changed so that each girl's extra pay was based on the other five rather than output of larger group, say, 100 workers or so. The productivity increased as compared to before.

2. Two five-minute rests—one in morning session and other in evening session—were introduced which were increased to ten minutes. The productivity increased.

3. The rest period was reduced to five minutes but frequency was increased. The productivity decreased slightly and the girls complained that frequent rest intervals affected the rhythm of the work.

4. The number of rest was reduced to two of ten minutes each, but in the morning, coffee or soup was served along with sandwich and in the evening, snack was provided. The productivity increased.

5. Changes in working hours and workday were introduced, such as cutting an hour off the end of the day and eliminating Saturday work. The girls were allowed to leave at 4.30 p.m. instead of usual 5.00 p.m. and later at 4.00 p.m. Productivity increased.

As each change was introduced, absenteeism decreased, morale increased and less supervision was required. It was assumed that these positive factors were there because of the various factors being adjusted and making them more positive.

67

At this time, the researchers decided to revert back to original position, that is no rest and other benefits. Surprisingly, productivity increased further instead of going down. This development caused a considerable amount of redirection in thinking and the result implied that productivity increased not because of positive changes in physical factors but because of a change in the girl's attitudes towards work and their work group. They developed a feeling of stability and sense of belongingness. Since there was more freedom of work, they developed a sense of responsibility and self-discipline. The relationship between supervisor and workers became close and friendly.

3. Mass interviewing programme

During the course of experiments, about 20,000 interviews were conducted between 1928 and 1930 to determine employees attitudes towards company, supervision, insurance plans, promotion, and wages. Initially these interviews were conducted by means of direct questioning such as do you like your supervisor? or is he in your opinion fair or does he have favourites? etc. since this method had disadvantage of either stimulating antagonism or the over-simplified 'yes' or 'no' responses which could not get to the root of the problem, the method was changed to non-directive interviewing where interviewer was asked to listen to instead of talking, arguing or advising. The interview programme gave valuable insights about the human behaviour in the company. Some of the major findings of the programme were as follows :

1. A complaint is not necessarily an objective recital of facts; it is a symptom of personal disturbance the cause of which may be deep seated.

2. Objects, persons and events carries social meanings. They become related to employee satisfaction or dissatisfaction only as the employee comes to view them from his personal situation.

3. The personal situation of the worker is a configuration, composed of a personal preference involving sentiments, desires and interests of the person and the social reference constituting the person's social past and his present interpersonal relations.

4. The position or status of a worker in the company is a reference from which the worker assigns meaning and value to the events, objects and features of his environments such as hours of work, wages, etc.

5. The social organisation of the company represents a system of values from which the worker derives satisfaction or dissatisfaction according to the perception of his social status and the expected social rewards.

6. The social demands of the worker are influenced by social experience in groups both inside and outside the work plant.

During the course of interviews, it was discovered that workers' behaviour was being influenced by group behaviour. However, this conclusion was not very satisfactory and, therefore, researchers decided to conduct another series of experiments. As such, the detailed study of a shop situation was started to find out the behaviour of workers in small groups.

4. Bank wiring observation room experiments

There experiments were carried on between November 1931 and May 1932 with a view to analyses the functioning of small group and its impact on individual behaviour. A group of fourteen male workers was employed in the bank wiring room: nine wiremen, three soldermen and two inspectors. The work involved attaching wire to switches for certain equipment used in telephone exchange. Hourly wage rate for the personnel was based on average output of each worker while bonus was to be determined on the basis of average group output. The hypothesis was that in order to earn more, workers would produce more and in order to take the advantages of group bonus, they would help each other to produce more. However, this hypothesis did not hold valid. Workers decided the target for themselves which was lower than the company's target, for example group's target for a day was connecting 6600 terminals against 7300 terminals set by the company. The workers gave the following reasons for the restricted output :

(a) **Fear of unemployment.** The basis reasoning of workers was that if there would be more production per head, some of the workers would be put out of employment.

69

(b) Fear of raising the standards. Most workers were convinced that once they had reached the standard rate of production, management would raise the standard of production reasoning that it must be easy to attain.

(c) Protection of slower workers. The workers were friendly on the job as well as off the job. They appreciated the fact that they had family responsibility that required them to remain in the job. Since slower workers were likely to be retrenched, the faster workers protected them by not overproducing.

(d) Satisfaction on the part of management. According to workers, management seemed to accept the lower production rate as no one was being fired or even reprimanded for restricted output.

The workers in the group set certain norms of behaviour including personal conduct. The workers whose behaviour was in conformity with both output norm and social norm were most preferred. This study suggested that informal relationships are an important factor in determining the human behaviour. During the course of experiments, workers were counselled for good human relations in the company's plant. The counselling was in regard to personal adjustment, supervision, employee relations, and management-employee relations. The supervisors tended to understand and accept the problems of workers, and managements tried to sense their feelings which were helpful in formulating the action for resolving management-employee conflicts.

Implications of Hawthorne Experiments

Hawthorne experiments have opened a new chapter in management by suggesting management through good human relations. Human relations involves motivating people in organisation in order to develop teamwork which effectively fulfills their needs and achieves organisational goals. Hawthorne experiments have tried to unearth those factors which are important for motivating people at workplace. The major findings of the experiments are discussed as under:

1. **Social factors in output.** An organisation is basically influenced by social factors. In fact, Elton Mayo, one of the researchers engaged in Hawthorne experiments, has described an organisation as "a social system, a system of cliques, informal status

system, rituals and a mixture of logical, non-logical behaviour." Thus, an organisation is not merely a formal structure of functions in which production is determined by the official prescription but the production norm is set by social norms. Since people are social beings, their social characteristics determine the output and efficiency in the organisation. Economic rewards and productivity do not necessarily go together. Many non-economic rewards and sanctions affect the behaviour of workers and modify the impact of economic rewards. While motivating workers, these factors should be taken into account.

2. Group influence. Workers being social beings, they create groups which may be different from their official group. In fact, groups are formed to overcome the shortcomings of formal relationships. The group determines the norm of behaviour of members. If a person resists a particular norm of group behaviour, he tries to change the group norm because any deviation from the group norm will make him unacceptable to the group. Thus, management cannot deal with workers as individuals but as members of work group subject to the influence of the group.

3. Conflicts. The informal relations of workers create groups, and there may be conflict between organisation and groups so created. The conflict may be because of incompatible objectives of the two. However, groups may help to achieve organisational objectives by overcoming the restraining aspect of the formal relations which produce hindrance in productivity. Conflict may also arise because of maladjustment of workers and organisation. As the individual moves through the time and space within the organisation, there constantly arises the need for adjustment of the individual to the total structure. In the absence of such adjustment, either individual progresses upward at a rapid pace or the organisation structure itself may change over the time while the individual remains standstill. In either event, the change takes place in the position of the individual with respect to organisation structure hence, adjustment is required.

4. Leadership. Leadership is important for directing group behaviour, and this is one of the most important aspects of managerial functions. However, leadership cannot come only from a formally-appointed superior as held by earlier thinkers. There may be informal leader as shown by bank wiring experiments. In some areas, informal leader is more important in directing group behaviour because of his identity

71

with group objective. However, a superior is more acceptable as a leader if his style is in accordance with human relations approach, that is the superior should identify himself with the workers.

5. Supervision. Supervisory climate is an important aspect in determining efficiency and output. Friendly to the workers, attentive, genuinely concerned supervision affects the productivity favourably. For example, in the bank wiring room experiment, an entirely different supervisory climate—more friendly to the workers and less use of authority in issuing orders—existed which helped in productivity, while in regular departments, supervisors were concerned with maintaining order and control which produced inhibiting atmosphere and resulted in lower productivity.

6. Communication. The experiments show that communication is an important aspect of organisation. Through communication, workers can be explained the rationality of a particular action, participation of workers can be sought in decision-making concerning the matter of their importance, problems faced by them can be identified and attempts can be made to remove these. A better understanding between management and workers can be developed by identifying their attitudes opinions and methods of working and taking suitable actions on these.

Criticisms of Hawthorne Experiments

Though Hawthorne experiments have opened a new chapter in management by emphasising the importance of social factors in output, it is not without fault. The experiments have been widely criticised by some behavioural scientists because of lack of scientific objectivity used in arriving at various a conclusions. Some critics feel that there was bias and preconception on the part of the Harvard researchers. One writer developed a detailed comparison between the conclusions drawn by the researchers and the evidence presented, and found that their conclusions were almost entirely unsupported. He asked the question, "how it was possible for studies so nearly devoid of scientific merit, and conclusions so little supported by evidence, to gain so influential and respected a place within scientific disciplines and to hold this place for so long. Following other criticisms have also been made against the Hawthorne experiments:

1. The Hawthorne researchers did not give sufficient attention to the attitudes that people bring with them to the workplace. They did not recognize such forces as class consciousness, the role of unions, and other extra-plant forces on attitudes of workers.

2. The Hawthorne plant was not a typical plant because it was a thoroughly unpleasant place to work. Therefore, the results could not be valid for others.

3. The Hawthorne studies look upon the worker as a means to an end, and not an end himself. They assume acceptance of management's goals and look on the worker as someone to be manipulated by management.

In spite of these shortcomings, Hawthorne experiments will be known for discovering the importance of human factor in managing an organisation. The experiments have stimulated many researchers to study the human problems in management.

(a) **Neo-classical approach :** Advocates of human relations and behavioural science approach to management are primarily interested in the following areas of management : (1) Organisation as a social system; (2) Employee motivation through non-monetary incentives; (3) Democratic leadership; (4) Two-way communication; (5) Employee development; (6) Group psychology and attitudes; (7) Human importance in man-machine system. Let us deal with these areas in brief.

1. The business organisation is not just a techno-economic system. Basically it is a social system. It is a social organism.

2. The employee can also be motivated by many social and psychological wants and not solely by economic incentives because his behaviour is also influenced by feelings, emotions and attitudes. Logical factors (more money) are less important than emotional factors in determining production efficiency. The scientific management would ridicule this.

3. Democratic rather than authoritarian leadership is essential in order to honour demands. Management must learn to develop co-operative attitudes and not rely merely on command. Matured employees dislike command.

4. Effective two-way communication network is essential to establish common flow of understanding in any organisation and then only organisation can attain its goals. Hence, participation becomes an important instrument under neoclassical approach.

5. Management must take greater interest in employee development and workers satisfaction as there is a very close connection between morale and productivity. In other words, productivity and satisfaction go together hand-in-hand in any business.

6. Informal group and informal organisation must be recognised. Group psychology plays an important role in any enterprise. We must rely more on group efforts. Teamwork is the key to productivity. Management is responsible for team work.

7. Management must develop social skills in addition to technical skills. The neoclassical theory tried to solve the man machine equation by emphasising that man is a living entity and he is far more important than the inanimate machine. Hence, key to higher productivity lies not in technological development alone but in reality it lies in the employee morale. Where morale is high, output is also high. Man-to-Man relationships, team spirit, group harmony should be given top preference by management.

Job structure, job design should receive secondary importance. Job enrichment is given greater importance. Employees also expect greater empowerment in planning and implementation (motivation, communication, co-ordination), functions of management should receive more importance than the techniques of planning and control.

C. OTHER APPROACHES TO MANAGEMENT

i. Social systems approach

Social systems approach of management has extended the implications of human relations approach further. This approach was introduced by Vilfredo Pareto, a sociologist. His ideas were later developed by Chester Barnard who synthesised the concept of social systems approach. According to this approach an organisation

74

is essentially a cultural system composed of people who work in cooperation. As such for achieving organisational goals, a cooperative system can be developed by under standing the behaviour of people in groups. The major features of this approach are as follows:

1. Organisation is a social system, a system of cultural relationships.

2. Relationships exist among the external as well as internal environment of the organisation.

3. Cooperation among group members is necessary for the achievement of organisational objectives.

4. For effective management, efforts should be made for establishing harmony between the goals of the organisation and the various groups therein.

Contributions of Barnard

The contributions of Chester Barnard to management, particularly social systems approach, are overwhelming. His book '**The *Functions of the Executive,*** ' is regarded as the most influential book on the management during the pre-modern management era. His analysis of management is truly a social systems approach since, in order to comprehend and analyse the functions of executives, he has looked for their major tasks in the system in which they operate. In determining the tasks of executives, he has analysed the nature of co-operative social system, as he found non-logical factors also influencing human behaviour in the organisation. This is a marked departure from the earlier approach. The major contributions of Barnard can be presented as follows:

1. Concept of organisation. Barnard suggests that classical concept of organisation does not fully explain the features of an organisation. He has defined formal organisation as a system of consciously coordinated activities of two or more persons. In his opinion, an organisation exists when the following three conditions are fulfilled: (i) there are persons able to communicate with each other; (ii) they are willing to contribute to the action; and (iii) they attempt to accomplish a common purpose.

2. Formal and informal organisations. Organisations can be divided into two parts: formal and informal. The formal organisation has consciously coordinated interactions which have a deliberate and common purpose. On the other hand, the informal organisation refers to those social interactions which do not have consciously coordinated joint purpose. The informal organisation exists to overcome the problems of formal organisation. In fact, Barnard has suggested that executives should encourage the development of informal organisation to serve as a means of communication, to bring cohesion in the organisation, and to protect the individual from dominance and onslaught of the organisation. Both the formal and the informal organisations depend on each other and there is continuous interaction between the two. Therefore, in managing an organisation, the manager should take into account both types of organisation.

3. Elements of organisation. According to Barnard, there are four elements of a formal organisation. These are : (i) a system of functionalisation so that people can specialise, that is, departmentation; (ii) a system of effective and efficient incentives so as to induce people to contribute to group action; (iii) a system of power which will lead group members to accept the decisions of the executives; and (iv) a system of logical decision-making.

4. Authority. Barnard does not agree with the classical view that authority transcends from the top to down. He has given a new concept of authority which is termed as 'acceptance theory of authority' or 'bottom-up authority.' In his opinion a person does not obey an order because it has been given by a superior but he will accept a communication as being authoritative only when four conditions are met simultaneously: (i) he can understand the communication; (ii) he believes that it is not inconsistent with the organisational purpose; (iii) he believes it to be compatible with his personal interest as a whole; and (iv) he is mentally and physically able to comply with it.

5. Functions of the executive. Barnard has identified three types of functions which an executive performs in a formal organisation. These are: (i) maintenance of organisational communication through a system of organisation that is through formal interactions; (ii) the securing of essential services from individuals in the organisation

76

so as to achieve organisational purpose; and (iii) the formulation and definition of organisational purpose.

6. Motivation. Apart from financial incentives which have their own limitations in motivating the people, Barnard has suggested a number of non-financial techniques for motivating people. Prominent among these are: opportunity of power and distinction, pride of workmanship, pleasant organisation, participation, mutual supporting personal attitudes, and feeling of belongingness.

7. Executive effectiveness. To make the executive effective requires a high order of responsible leadership. While co-operation is the creative process, leadership is the indispensable fulminator of its forces. Leadership is the most strategic factor in securing cooperation from the people. Executive leadership demands high calibre, technological competence, and technical and social skills. The executive leadership should not have preconceived notions and false ideologies. It should be above personal predilections and prejudices. The leadership is likely to commit the following four types of errors: (i) the oversimplification of the economy of organisation life; (ii) disregarding the reality of informal organisation and its necessity; (iii) an inversion of emphasis upon the objective and subjective aspects of authority; and (iv) a confusion of morality with responsibility.

8. Organisational equilibrium. Organisational equilibrium refers to the matching of individual efforts and organisational efforts to satisfy individuals. The co-operation of individuals with the organisation brings forth new activities. The organisation must afford satisfaction to individuals comprising it. This is required to maintain equilibrium in the organisation. This equilibrium is not static but dynamic. Demands and aspirations of individuals change and the organisation has to cope with the dynamic situation. The equilibrium of the organisation depends on the individuals working in it, other organisations and the society as a whole. Thus, the organisation has to take into account the changes in the society. The organisational equilibrium can be perceived not only through logical appraisal but through analysis and intuition. Thus, many non-logical factors also enter into organisational analysis. Therefore, the reasons for an action should not only be logical but must also appeal to those attitudes, predilections, prejudices, emotions, and mental background that cover action.

The above contributions of Barnard show how he was concerned for the development of the organisation through social systems. His contributions are regarded quite high in management. This is evident by the ideas expressed by **William Wolf about the book written by Barnard.** "The book is a sociology of management. Its style of writing was purposely pitched at a high level of discourse. Barnard was writing for social scientists, not for practitioners. He believed that the field of management was lacking in concepts and was clouded by ambiguous and even erroneous thinking. In a sense, he hoped that the functions would set things right and guide the social scientists to more realistic studies of organisation and management."

ii. Decision Theory Approach

Decision theory approach looks at the basic problem of management around decision-making-the selection of a suitable course of action out of the given alternatives. Major contribution in this approach has come from Simon. Other contributors are March, Cyert, Forrester, etc. The major emphasis of this approach is that decision-making is the job of every manager. The manager is a decision-maker and organisation is a decision-making unit. Therefore, the basic problem in managing is to make rational decision. From this point of view, decision theory approach has the following features.

1. Management is essentially decision-making.

2. The members of the organisation are decision-makers and problem-solvers.

3. Organisation can be treated as a combination of various decision centres. The level and importance of organisational members are determined on the basis of importance of decisions which they make.

4. Quality of decision affects the organisational effectiveness.

5. All factors affecting decision-making are the subject-matter of study of management. Besides processes and the techniques involved in decision-making, other factors affecting the decisions are information systems, social and psychological aspects of decision-makers. Thus, it covers the entire range of human activities in organisation as well as the macro conditions with in which the organisation works.

iii.　Contributions of Herbert Simon

Herbert Simon, a Noble prize winner in Economics, has made significant contributions in the field of management particularly administrative behaviour and decision making. His contributions cover both social systems and decision theory approaches, more particularly the latter. Simon examined the principles of management given by Urwick and Gullick and found them contradictory and ambiguous. He described these principles as 'myths', 'slogans'; and 'homely proverbs'. Simon looked at organisational problems in totality of socio-psychological context and viewed that decision making takes place in this context. His major contributions to management are summarised below:

1. **Concept of organisation.** Simon has described an organisation as a complex network of decisional processes, all pointed towards their influence upon the behaviour of the operatives. He has viewed the organisation containing distribution and allocation of decision-making functions. According to him, physiology of the organisation is to be found in the process whereby organisation influences the decisions of its members, supplying these decisions with their devices. Thus, the best way to analyse an organisation is to find out where and by whom decisions are made.

2. **Decision-making.** Perhaps the greatest contribution of Simon is in the field of decision-making. Decision-making is the core of management and management is synonymous with decision-making. This is why he has been referred to as decision theorist. According to him, the decision process can be broken into a series of three sequential steps. These are : (i) intelligent activity: the initial phase of searching the environment for conditions calling for decisions; (ii) design activity: the phase of inventing, developing, and analysing possible course of action to take place; and (iii) choice activity: the final phase of actual choice selecting a particular course of action from those available.

3. **Bounded rationality.** Simon is of the view that man is not completely rational. He has criticised the theories which are based on the assumptions of complete rationality. He has advocated the principle of bounded rationality. Accordingly, managers do not go for maximum satisfaction out of a decision but are satisfied with

good enough satisfaction from a decision. Managers cannot maximise on account of various limitations and constraints. A decision is rational if for achieving the desired ends, appropriate means are adopted. However, it is not easy to separate the ends from the means because of ends-means chain. This ends-means chain is seldom and integrated or completely integrated one. The relationship between organisational activities and ultimate objectives is also not clear. Moreover, a simple ends-means chain analysis may not help in reaching accurate conclusion because what is an end at one point of time or at one level of organisation might be a means at the other time or at other level of the organisation.

4. Administrative man. Simon has given the concept of administrative man as the model of decision-making. The model is based on the following assumptions : (i) Administrative man adopts satisficing approach in decision-making rather than the maximising approach of economic man. (ii) He perceives the world as a simplified model of real world. Thus, he remains content with simplification. (iii) He can make his choice without first determining all possible alternatives and without ascertaining that these are in fact all the alternatives. (iv) He is able to make decisions with relatively simple rule of thumb, or tricks of trade, or force of habit. The administrative man model describes the decision-making process of managers truly than alternative theory of economic man.

5. Organisational communication. Simon has emphasised the role of communication in organisation. According to him, there are three stages in the communication process: initiation, transmittal, and receipt of information. There may be blockade of communication at any of these three stages. In order to overcome the problem of communication, he has emphasised the role of informal communication and has attached less importance to the formal network of authority.

iv. Contributions of Peter Drucker

Among the contemporary management thinkers, Peter Drucker outshines all. He has varied experience and background which include psychology, sociology, law and journalism. Through his consultancy assignments, he has developed solutions to number of managerial problems. Therefore, his contributions cover various approaches of management. He has written many books and papers.

1. **Nature of management.** Drucker is against bureaucratic management and has emphasised management with creative and innovative characteristics. The basic objective of management is to lead towards innovation. The concept of innovation is quite broad. It may include development of new ideas, combining of old and new ideas, adaptation of ideas from other fields or even to act as a catalyst and encouraging others to carry out innovation. He has treated management as a discipline as well as profession. As a discipline, management has its own tools, skills, techniques, and approaches. However, management is more a practice rather than a science. Thus, Drucker may be placed in 'empirical school of management'. While taking management as a profession. Drucker does not advocate to treat management as a strict profession but only a liberal profession which places more emphasis that managers should not only have skills and techniques but should have right perspective putting the things into practice. They should be good practitioners so that they can understand the social and cultural requirements of various organisations and countries.

2. **Management functions.** According to Drucker, management is the organ of its institution. It has no functions in itself, and no existence in itself. He sees management through its tasks. Accordingly, there are three basic functions of a manager which he must perform to enable the institution to make its contributions for (i) the specific purpose and mission of the institution, whether business, hospital or university; (ii) making work productive and the worker achieving; and (iii) managing social impacts and social responsibilities. All these three functions are performed simultaneously within the same managerial action. A manager has to act as administrator where he has to improve upon what already exists and is already known. He has to act as entrepreneur in redirecting the resources from areas of low or diminishing results to areas of high or increasing results. Thus, a manager has to perform several functions: setting of objectives, decision-making, organising, and motivating. Drucker has attached great importance to the objective setting function and has specified eight areas where clear objective setting is required. These are : market standing, innovation, productivity, physical and financial resources, profitability, managerial performance and development, worker performance and attitude, and public responsibility.

3. **Organisation structure.** Drucker has decried bureaucratic structure because of its too many dysfunctional effects. Therefore, it should be replaced. He has emphasised

three basic characteristics of an effective organisation structure. These are : (i) enterprise should be organised for performance; (ii) it should contain the least possible number of managerial levels ; and (iii) it must make possible the training and testing of tomorrow's top managers—giving responsibility to a manager while still he is young. He has identified three basic aspects in organising: activity analysis, decision analysis, and relation analysis. An activity analysis shows what work has to be performed, what kind of work should be put together, and what emphasis is to be given to each activity in the organisation structure. Decision analysis takes into account the four aspects of a decision : the degree of futurity in the decision, the impact of a decision over other functions, number of qualitative factors that enter into it, and whether the decision is periodically recurrent or rare. Such an analysis will determine the level at which the decision can be made. Relation analysis helps in defining the structure and also to give guidance in manning the structure.

4. **Federalism.** Drucker has advocated the concept of federalism. Federalism refers to centralised control in decentralised structure. Decentralised structure goes far beyond the delegation of authority. It creates a new constitution and new ordering principle. He has emphasised the close links between the decisions adopted by the top management on the one hand and by the autonomous unit on the other. This is just like a relationship between federal government and state governments. In a federal organisation, local managements should also participate in the decisions that set the limits of their own authority. Federalism has certain positive values over other methods of organising. These are as follows : (i) it sets the top management free to devote itself to its proper functions; (ii) it defines the functions and responsibilities of the operating people; (iii) it creates a yardstick to measure their success and effectiveness in operating jobs; and (iv) it helps to resolve the problem of continuity through giving the managers of various units education in top management problems and functions while in an operating position.

5. **Management by objectives.** Management by objectives (MBO) is regarded as one of the most important contributions of Drucker to the discipline of management. He introduced this concept in 1954. MBO has further been modified by Schleh which has been termed as 'management by results'. MBO includes method of planning, setting standards, performance appraisal, and motivation. According to Drucker, MBO is not only a technique of management but it is a philosophy of managing. It transforms the basic assumptions of managing from exercising control to self-control. Therefore,

in order to practise MBO, the organisation must change itself. MBO has become such a popular way of managing that today it is regarded as the most modern management approach. In fact, it has revolutionalised the management process.

6. Organisational changes. Drucker has visualised rapid changes in the society because of rapid technological development. Though he is not resistant to change, he feels concerned for the rapid changes and their impact on human life. Normally, some changes can be absorbed by the organisations but not the rapid changes. Since rapid changes are occurring in the society, human beings should develop philosophy to face the changes and take them as challenges for making the society better. This can be done by developing dynamic organisations which are able to absorb changes much faster than static ones.

Drucker's contributions have made tremendous impact on the management practices. His contributions have been recognised even by the management thinkers of Socialist Bloc. For example, Vishiani, a USSR management thinker, writes about **Drucker** as follows : "Drucker shows a certain foresightedness and understanding of the development prospects of modern production when he opposes the view that worker is no more than an appendage of machine. Moved by the desire to strengthen the position of capitalism, he endeavours to give due consideration also to some objective treads in production management. Drucker, therefore, tells the industrialists not to fear a limited participation of the workers in the management of production processes. He warns them that if they do not abandon that fear, the consequences may be fatal to them." Drucker is perhaps the only Western management thinker who has attracted so much attention of the communist world.

v. Management science approach

Management science approach, also known as mathematical or quantitative measurement approach, visualises management as a logical entity, the action of which can be expressed in terms of mathematical symbols, relationships and measurement data. The primary focus of this approach is the mathematical model. Through this device, managerial and other problems can be expressed in basic relationships and, where a given goal is sought, the model can be expressed in terms which optimise that goal. This approach draws many things from the decision theory approach and, in

fact, provides many techniques for rational decision-making. The major features of this approach are as follows :

1. Management is regarded as the problem-solving mechanism with the help of mathematical tools and techniques.

2. Management problems can be described in terms of mathematical symbols and data. Thus every managerial activity can be quantified.

3. This approach covers decision-making, systems analysis and some aspects of human bahaviour.

4. Operations research, mathematical tools, simulation, models, etc., are the basic methodologies to solve managerial problems.

Management science approach is a fast developing one in analysing and understanding management. This has contributed significantly in developing orderly thinking in management which has provided exactness in management discipline. Various mathematical tools like sampling, linear programming, game theory, time series analysis, simulation, waiting line theory, etc., have provided more exactness in solving managerial problems. However, it is very difficult to call it a separate school of management because it does not provide the answer for the total managerial problems. Moreover, many managerial activities are not really capable of being quantified because of involvement of human beings who are governed by many irrational factors also.

vi. Human behaviour approach

Human behaviour approach is the outcome of the thoughts developed by behavioural scientists who have looked at the organisation as collectivity of people for certain specified objectives. Since management involves getting things done by people, the study of management must revolve around human behaviour. The approach, also known as *'leadership' 'behavioural science'* or *human resource* approach, brings to bear the existing and newly-developed theories and methods of the relevant behavioural sciences upon the study of human behaviour. In contrast to human relations approach which assumes that happy workers are productive workers, human behaviour approach has been goal and efficiency-oriented and considers the understanding of

human behaviour to be the major means to that end. The human behaviour approach emphasises human resources in an organisation more as compared to physical and financial resources. Since this approach studies human behaviour ranging from personality dynamics of individuals at one extreme to the relations of culture at the other, this can be divided into two groups: *interpersonal behaviour approach* and *group behaviour approach.* Writers on interpersonal behaviour approach are heavily oriented towards individual psychology while writers on group behaviour approach rely on social psychology and emphasise on organisational behaviour.

Among the many individual and social psychologists who have contributed to management are Maslow (need hierarchy), Herzberg (motivation-hygiene theory and job enrichment), McGregor (theory X and Y), Likert (management systems and linking pin model), Argyris (immaturity-maturity theory, integration of individual and organisational goals, and pattern of A B analysis), Blake and Mouton (managerial grid), Sayles (interpersonal behaviour), Bennis (organisational development), Fiedler (contingency model of leadership styles), Tannenbaum and others (continuum approach of leadership). Besides, notable contributions have come from those who have expanded a particular concept formulated earlier to make it more practicable. They include Leavitt, Stogdill, Vroom, Reddin, etc.

Apart from psychologists who have concentrated more on individual behaviour in organisation, significant contributions have come from sociologists who have studied human behaviour in group and have emphasised on group behaviour. Notable among them are Homans (human group), Bakke (fusion process), Lewin (group dynamics), Katz and Kahn (social psychology of organisations). Some others have attempted to integrate the various views such as Debin, Dalton, Selznick, etc.

Major conclusions of the contributions made by behaviouralists can be presented as follows :

1. People do not dislike work. If they have helped to establish objectives, they will want to achieve them. In fact, job itself is a source of motivation and satisfaction to employees.

2. Most people can exercise a great deal of self-direction, self-control and creativity than are required in their current job. Therefore, there remains untapped potential among them.

3. The manager's basic job is to use the untapped human potential in the service of the organisation.

4. The manager should create a healthy environment wherein all subordinates can contribute to the best of their capacity. The environment should provide a healthy, safe, comfortable and convenient place to work.

5. The manager should provide for self-direction by subordinates and they must be encouraged to participate fully in all important matters.

6. Operating efficiency can be improved by expanding subordinate influence, self direction and self-control.

7. Work satisfaction may improve as a 'by-product' of subordinates making full use of their potential.

vii. Systems Approach to Management

The systems approach to management and organisation indicates a new stream of management thought under modern theory of management. Since 1950, we have a period of refinement, extension and synthesis of management thought and practice. While the behavioural and quantitative schools were developing new concepts and techniques of management, a new direction in management thought appeared which is usually called as the systems approach. Basically it took up where the process management school left off in attempting of unify management theory. It stresses the inter-relatedness and interdependence of all activities within an organisation. It includes operations research, behavioural sciences social technical systems, management information systems and industrial dynamics.

Industrial engineering time and motion study, operations research (called management science) and systems analysis have refined and streamlined scientific management. Similarly, we have parallel growth and refinement in personnel management and industrial relations. The human relations approach is itself now

refined and we have adopted more objective and value based approach to understand persons in organisations. This was due to increasing use of psychology, sociology, psychiatry in the investigation of human behaviour in organisations. The greatest influence upon current management thought is, of course, due to adoption of systems approach to our organisations and management.

The systems approach was developed only after 1950. It is the recent contribution to management thought. It was stimulated by the development of operations research. Modern theory considers an organisation as an open adaptive system which has to adjust to changes in its environment. An organisation is now defined as a structured process in which individuals interact (act and react) for attaining objectives. Classical theory defined organisation as the structure of relationship, powers, objectives, roles, activities, communications and others factors that exist when persons work together. It represented only mechanistic structure. Modern definition also incorporates humanistic approach. Neoclassical theory defined organisation as a group of people with a common objective and it emphasised the humanistic approach.

(a) What is a system?

The word system is derived from Greek word meaning to bring together or to combine. A system is a set of inter-connected and inter-related elements or component parts which operate together to achieve certain goals. When relating systems to organisations, a system is an established arrangement of components which leads to the accomplishment of particular objectives as per plan.

This definition has three significant parts: (1) Every system is goal-oriented and it must have a purpose or objective to be attained. The objective provides the basis for evaluating functions performed within the system. (2) In designing the system we must establish the necessary arrangement of components. This is nothing but organising function of management. (3) Inputs of information, material and energy are allocated for processing as per plan so that the outputs can achieve the objective of the system *viz.,* productivity and satisfaction.
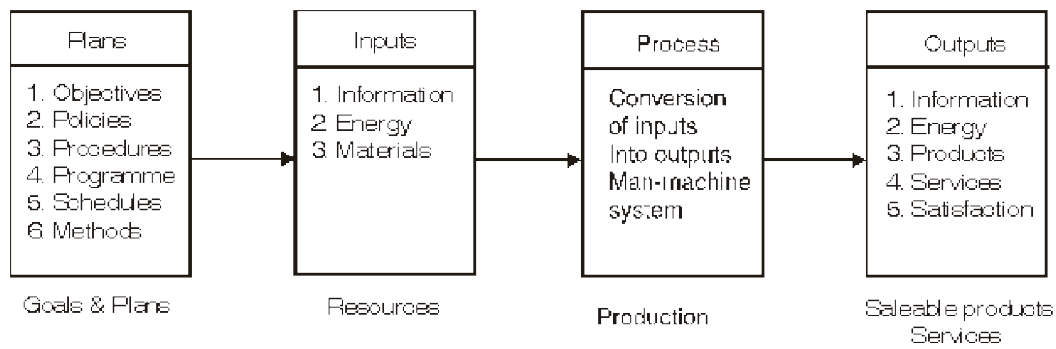
Plans	Inputs	Process	Outputs
1. Objectives 2. Policies 3. Procedures 4. Programme 5. Schedules 6. Methods	1. Information 2. Energy 3. Materials	Conversion of inputs Into outputs Man-machine system	1. Information 2. Energy 3. Products 4. Services 5. Satisfaction
Goals & Plans	Resources	Production	Saleable products Services

Fig. 1.3 The Design of a Basic System

Note: (1) Generally there are three basic inputs that enter the process or of the system viz., information (technology) energy (motive power) and materials to be transformed into goods. (2) If the output is service, materials are not included in the inputs. (3) If we have manufacturing company, output is goods or materials. If we have a consulting firm, output is information or advice. If we have a power generating company, output is energy. (4) The feature which defines and delineates a system forms its boundary. The system is inside the boundary; the environment is outside the boundary.

(b) Systems approach applied to an organisation.

When systems approach is applied to an organisation, we have the following features of an organisation as an open adaptive system: (1) It is a subsystem of its broader environment. (2) It is *goal-oriented* people with a purpose. (3) It is a *technical* subsystem— using knowledge, techniques, equipment and facilities. (4) It is a *structural* subsystem—people working together on interrelated activities. (5) It is a *psychosocial* system— people in social relationship. (6) It is co-ordinated by a managerial subsystem creating, planning organising, motivating, communicating and controlling the overall efforts directed towards set goals.

Elements of environment include persons, physical resources, climate, economic and market conditions, attitudes, competition, and laws. The environment offers both opportunities and risks. Management overcomes risks and exploits opportunities.

AN ORGANISATION AS AN OPEN ADAPTIVE SYSTEM
(SIMPLE FEEDBACK IN A CONTROL SYSTEM)
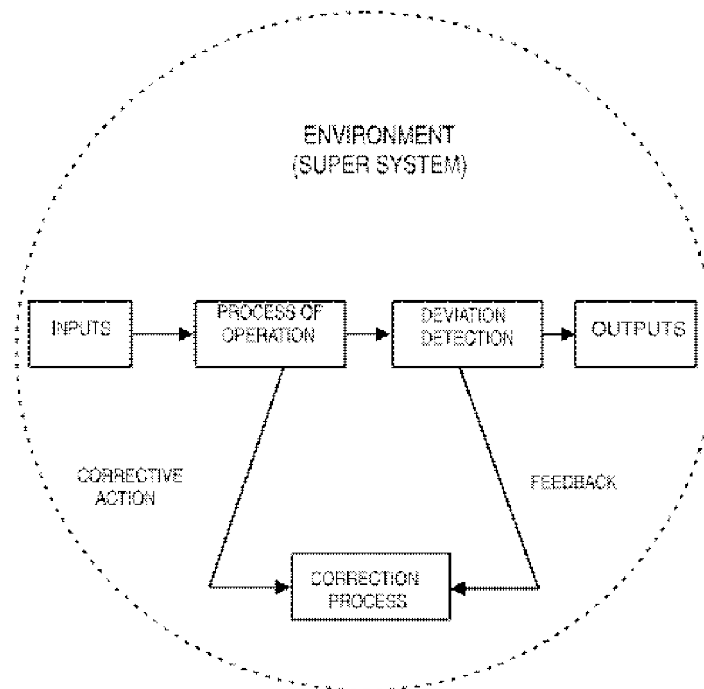
Fig. 1.4 An Organisation as an Open Adaptive System.
Dotted circle points out Environment Area.

Note: (1) Modern theory regards an organisation as an open-system consisting of five basic parts or elements: (*a)* Input. (*b)* Process of transformation, (*c)* Output. (*d)* Feedback in a control system and (*e)* Environment. (2) The organisation and its environment are interdependent. (3) It is an open system which adapts to changing needs of the environment through a process of feedback—an perhaps systems approach has attracted the maximum attention of thinkers in management particularly in the present era. Though this approach is of comparatively recent origin, starting late 1950, it has assumed considerable importance in analysing the phenomena of management. It is an integrating approach which considers management in its totality based on empirical data. The basic idea of systems approach is that any object must rely on a method of analysis involving simultaneous variations of mutually dependent variables. This happens when systems approach is applied in management.

(c) Features of a system

A system is an assemblage of things connected or interrelated so as to form a complex unity; a whole composed of parts and sub-parts in orderly arrangement according to some scheme or plan. This has been defined as "an organised or complex whole; an assemblage or combination of things or parts forming a complex unitary whole." On the basis of this definition, various features of a system can be identified.

1. A system is basically a combination of parts, subsystems. Each part may have various sub-parts. When a subsystem is considered as a system without reference to the system of which it is a part, it has the same features of a system. Thus, a hierarchy of systems and subsystems can be arranged. For example, the universe is a system of heavenly bodies which includes many subsytems of stars called galaxies. Within a galaxy, there is solar system. When we consider galaxy as a system, solar system may become a subsystem but we can also consider solar system consisting of so many planets. In the same way, an organisation is a system of mutually dependent parts, each of which may include many subsystems.

2. Parts and sub-parts of a system are mutually related to each other, some more, some less; some directly, some indirectly. This relationship is not natural, given, or unalterable in a social system. The relationship is in the context of the whole. Any change in one part may affect other parts also. Therefore, how various parts are given relationship is important for the functioning of the system.

3. A system is not merely the totality of parts and subparts but their arrangement is more important. The whole becomes greater than the total of individual parts because of the type of arrangement made in these parts and subparts. Thus, a system is an interdependent framework in which various parts are arranged.

4. A system can be identified because it has a boundary. In the case of physical system, this boundary is quite visible and, therefore, the system can be identified easily. However, in the case of a social system, the boundary is not visible because it is not like a line or wall that functions to preserve or to define what is inside. Instead, the boundary maintains proper relationship between the system and its environment—objects lying outside the system. Identification of this boundary in the case of human organisation facilitates the management of a

90

system by differentiating those which can be controlled because they are the parts of the system and those which cannot be controlled because they are outside the system.

5. The boundary of a system classifies it into two parts: closed system and open system. All living organisms are open systems while all non-living systems are closed systems. The major differences between the two will be identified shortly.

6. System transforms inputs into outputs. This transformation process is essential for the survival of the system. There are three aspects involved in this transformation process: inputs, mediator, outputs. Inputs are taken from the environment, transformed into outputs, and given back to the environment. Various inputs may be in the form of information, money, materials, human resources, etc. Outputs may be in the form of goods and services. The total relationship may be called as input-output process and system works as mediator in this process. However, in this process, system restores some of the inputs taken from the environment. Restoring the inputs taken from the environment helps the system maintain its structure and avoid decay and death. Thus, the system can grow over the period of time. For example, a business organisation survives and grows over the period of time by earning profit in the process of transforming inputs into outputs. Profit is essential for the organisation of survive.

(d) Open and closed systems

The boundary of a system classifies it into two parts: closed system and open system. All living organisms are open system while all non-living systems are closed system. The major differences between the two are as follows:

1. Closed systems are those that have no interaction with environment, that is, no outside system impinges on them or for which no outside systems are to be considered. Open systems are those that interacts with their environment, that is, they have systems with which they relate, exchange, and communicate.

2. Closed systems are self-contained and self-maintaining as they do not interact with the environment. Open systems interact with their environment and in

91

this in interaction; they import energy and export output. Because of this interaction, closed system is rigid and static but open systems are dynamic and flexible as they are subject to change by environment forces.

3. Closed systems are generally mechanical, for example, an automatic watch. Therefore, once they are set, they work. However, open systems are affected by environmental factors and they have to be adjusted according to environment. Thus, they require restructuring because of change in environment.

4. Closed systems are like close loop while open systems are characterised by negative entropy. They import more energy than is expended or consumed. Thus, they can grow over the period of time. When this relationship is reversed, the open systems decline.

5. Open systems have feedback mechanism that helps them to maintain homoeostatic, a kind of equilibrium. Homoeostatic is a process through which a system regulates itself around a stable state. For example, human body works on the principle of homoeostatic. It maintains its temperature relatively at a constant level despite variations in the environmental temperature. Similarly thermostat maintains this equilibrium. However, organisational equilibrium is not static. It being a dynamic system, gets feedback to maintain dynamic equilibrium. In closed systems, there is no such feedback mechanism.

The distinction between closed and open systems is there but really no system is a closed one but has some properties of open systems. The classification of various systems into closed and open is not very proper. Therefore, it is more appropriate to think of systems in terms of the degree to which they are open or closed rather than using a dichotomy of open-close.

(e) **Features of management as system**

Under the systems approach, management is regarded as a system. It draws heavily from systems concepts. When systems concepts are applied to management, it is taken in the following ways:

1. **Management as a social system**. Management can be considered as a system. Therefore, management has all the characteristics of a system as discussed above. However, management is a social system and unlike biological or mechanical systems, it has the characteristics of social systems. This concept of social system is quite different from co-operative social system as discussed earlier. Management as a system consists of many subsystems which are integrated to constitute an entity.

2. **Management as open system**. Management, like any other social system, is an open system. It interacts with its environment. Out of this interaction, it takes various resources, allocates and combines these resources to produce desirable outputs which are exported to the environment. Thus, management works as input-output mediator. These features of management suggest that it is not free to decide the things on its own but due weightage has to be given to the environmental factors affecting the management of an organisation. Consideration is required at the levels of taking inputs, transforming them into outputs, and exporting the outputs to the environment.

3. **Adaptive.** Organisation being an open system, its survival and growth in a dynamic environment demands an adaptive system which can continuously adjust to changing environment. Management tends to achieve environmental constancy by bringing the external world under control, or bringing internal modification of organisational functioning to meet the needs of the changing world. Since there is a provision of feedback mechanism, management can evaluate its performance and take corrective actions. In fact, the basic role of management is considered in terms of its adaptability to environment.

4. **Dynamic**. Management as a system is dynamic. It suggests that management attempts at achieving equilibrium in the organisation. However, this equilibrium is not static as happens in mechanical systems. Management moves towards growth and expansion by preserving some of the energy. Managerial effectiveness depends on this energy exchange. Therefore, it is not only the internal processing process that determines the effectiveness of management but also how it interacts with the changing environment in terms of taking inputs and giving outputs also determines its effectiveness.

93

5. **Probabilistic**. Management is probabilistic and not deterministic. A deterministic model always specifies the use of model in a condition with predetermined results. Therefore, the outcome of an action can be predicted accurately. For example, is one wants to get the total of 250 and 500, he can press the button of a calculator and gets 750. This is possible because the outcome is certain. In the case of probabilistic model, the outcome can be assigned only probability and not certainty. For example, if a coin is tossed, the probability of getting a head is 0.5. But one cannot say with certainty that there will be 50 heads out of tossing of a coin 100 times. Management being probabilistic points out only the probability and never the certainty of the performance and consequent results. Management has to function in the face of many dynamic variables and there cannot be absolute predictability of these variables. For example, we make forecast of future events but the forecast is relevant to a certain degree only and not to the level of certainty. This is what management takes into account.

6. **Multilevel and multidimensional**. Systems approach of management points out the multilevel and multidimensional features of management. It has both macro and micro approach. At macro level, it can be applied to supras system, say, a business system as a whole. At micro level, it can be applied to an organisation. Even it can be applied to a suprasystem of an organisation. However, it has the same characteristics at all these levels : subsystem level, system level, and subsystem level. Thus, both parts and whole are equally important in managing.

7. **Multivariable**. Management is multivariable and involves taking into account many variables simultaneously. This feature of management suggests that there is no simple cause-effect phenomenon, rather an event may be the result of so many variables which themselves are interrelated and interdependent. This interrelatedness and interdependence makes managing quite a complex process. Thus, it realises the complexity of management.

8. **An integrated approach**. Systems approach of management takes an integrated view of managing. It identifies the reason for a phenomenon in its wider context taking into account the total factors affecting the phenomenon. In other approaches, a particular phenomenon has been explained in terms of

94

a single factor or cluster of factors. Management tries to integrate the various factors to find out the reasons behind a phenomenon. It emphasises on how the management of one subsystem of the organisation should be taken in relation with others because other subsystems become environment for the give system. Thus, the problem in one subsystem should not be traced into the subsystem only but in a much wider context. This is true for the management of whole organisation also.

(f) **Implications of systems approach**

Systems approach of management provides an integrated approach of managing. This considers management in its totality. The integrative approach of managing can be best understood by quoting Churchman on the systems approach of management. He writes as follows:

"There is a story often told in logic text about a group of blind men who were assigned the task of discovering an elephant. Each blind man was located at a different part of the body. A horrendous argument arose in which each claimed to have a complete understanding of the total elephantine system. What is interesting about this story is not so much the fate of the blind men but the magnificent role that the teller had given himself, namely, the ability to see the whole elephant and consequently the ridiculous behaviour of the blind system describers. The story is in fact a piece of arrogance. It assumes that a very logically astute man always gets on the top of a situation, so to speak, and looks at the foolishness of the people who are incapable of seeing the whole."

The quotation aptly describes how management problems should be seen in an organisation, that is, by taking the totality of the organisation and not a part of it. This implies that there should be integration of various forces affecting management. We have entered a period that forces us to find out more accurate answers to the questions involving the wholeness of an operation. This age of synthesis forces management to think out in new and different ways, as suggested by the systems approach. In this, view, the whole is not merely a combination of its different parts but more than that. This more can be achieved by combining the various parts in a particular way.

95

Systems approach possesses the conceptual level of managerial analysis much higher than any other approach. It discards the simplistic approach of managerial analysis and suggests that management of an organisation must be consistent with the demands of organisational environment and the needs of its members. It provides a framework through which organisation-environment interaction can be analysed and facilitates decision-making, since the system within which managers make decisions can be provided as a more explicit framework and decision-making is easier to handle.

(g) **Limitations of systems approach**

Though systems approach possesses conceptual framework of much higher order as compared to other approaches, it may be emphasised that this in no way is the unified theory of management. Systems approach came in a big way in managerial analysis and raised the hope of becoming a general and unified theory of management. A general and unified theory can be applied to all types of organisations, presenting their comprehensive analysis so that those who want to study organisations from different angles can derive knowledge. This was exactly expected of systems approach. However, this promise could not be fulfilled because systems approach suffers from two limitations.

1.   **Abstract approach**. It is often suggested that systems approach is too abstract to be of much use to practising managers. It merely indicates that various parts of the organisation are interrelated. Similarly, an organisation is a social system and, therefore, is related with other organisations in the society. This is true and significant for managing. But it fails to spell out precisely relationships among these. Therefore, its contribution to managing is limited. For example, it is one thing to say that economic forces trigger social, technical and psychological changes in the organisation. But this is not enough for managing a organisation. What is required is a statement of what economic forces initiate what social, technological and psychological changes.

2.   **Lack of universality**. Systems approach of management lacks universality and its precepts cannot be applied to all organisations. For example, systems approach provides modern structural forms, cybernetic system for control and communication.

These systems are suitable for large and complex organisations but are not suitable for small organisations. Since most modern organisations are large and complex, it is argued that systems approach is applicable in general. This may be true but the role of a theory is not to prescribe actions for a particular category of organisations, rather, the theory should specify the relationships among different variables which can be applied to all organisations.

If systems approach is seen in this perspective, some people believe that the approach is as incomplete as any other. In fact, they argue that this approach does not offer anything new. The managers have been doing their jobs seeing the problems as a network of interrelated elements with interaction between environments inside and outside of their organisations. Looking into these shortcomings of systems approach, researchers have tried to modify the systems approach. This attempt had led to the emergence of a separate, though related, approach, situational or contingency approach.

i. Contingency or situational approach

Contingency or situational approach is an important addition to the paradigm of modern management theory and approach. In one way, this is an extension of systems approach. The basic idea of contingency approach is that there cannot be a particular management action which will be suitable for all situations. Rather, an appropriate action is one which is designed on the basis of external environment and internal states and needs. Contingency theorists suggest that systems approach does not adequately spell out the precise relationship between organisation and its environment. Contingency approach tries to fill this gap by suggesting what should be done in response to an event in the environment.

Some researchers distinguish between contingency and situational approaches by suggesting that situational management implies that what a manager does depends on a given situation. Contingency approach, on the other hand, suggests an active interrelationship between the variables in a situation and the managerial actions devised. Thus, contingency approach takes into account not only given situations but also the influence of given solutions on behaviour patterns of an organisation. Despite these differences and emphasis on varying factors, themes of both the approaches are

common. In fact, some authors believe that the term contingency is misleading and they should have used the term situational. Nevertheless, both terms are used interchangeably.

The basic theme of contingency view can be presented by quoting Tosi and Hammer. They say that:

"When a subsystem in a organisation behaves in response to another system or subsystem, we say that response is contingent on environment. Hence, a contingency approach is an approach where the behaviour of one subunit is dependent on its environmental relationship to other units or subunits that have control over the consequences desired by that subunit."

Judged in the light of this statement, contingency approach has the following features :

1. Management action is contingent on certain action outside the system or subsystem as the case may be.

2. Organisational action should be based on the behaviour of action outside the system so that organisation should be integrated with the environment.

3. Because of the specific organisation-environment relationship, no action can be universal. It varies from situation to situation.

(a) **Relationship between systems and contingency approaches**

Contingency approach has emerged out of the systems approach. Contingency theorists have accepted the basic tenets of systems approach. They accept the basic features of organisation-environment relationship and dynamic nature of organisation. However, they feel that systems approach is too abstract to apply for managerial action. This can be overcome by modifying systems framework and translating it into operational framework. Therefore, both approaches are related but they differ in certain context. A comparison between the two can be presented as follows:

1. **Model of human being**. The range of activities of human beings is different under two approaches. Systems usually employs a richer model of human beings than contingency approach. The former takes into account the full range of human behaviour in the organisation while contingency approach, by and large, is interested in structural adaptation of organisation to its task environment. Therefore, contingency theorists talk mostly in terms of structural change in the organisation in response to a change in the environment.

2. **Organisational variables**. Systems approach is very broad in considering the organisational variables. It tries to cover personal, social, technical, structural and environmental variables. Therefore, managing involves establishing relationships among these variables and considering them in taking any action. Contingency approach, on the other hand, concentrates on structural adaptation of organisation. This approach tends to predict the ultimate outcome of a disturbance of the organisational equilibrium by a change in the task environment.

3. **Evolution.** Major contributors in systems approach have been social psychologists while sociologists have contributed to contingency approach. Contingency approach has been built up over systems approach. Therefore, it is possible that both approaches may merge or profoundly influence each other. In fact, there are signs of convergence of two approaches. This is likely to continue and system approach may specify situations under which a particular type of organisation can function well. In fact, equifinality character of open system suggests that different strategies can be adopted by an organisation facing a particular problem. Similarly, contingency approach may provide the process by which the organisation may adapt to its task environment. Both these efforts are quite similar.

(b) **Implications of contingency approach**

Contingency approach is an important addition to the paradigm of modern theory of management. It is the sophisticated approach to understand the increasing complexity of organisations. It emphasises the multivariate nature of organisations

99

and attempts to understand how organisations operate under varying conditions. The approach is directed towards suggesting organisational designs and managerial actions most appropriate to specific situations. The major implications of contingency approach are as follows:

1. Management is entirely situational and there is nothing like universal principles of management or one best way of doing a particular thing. What managers do depends on the circumstances and environment. Lorsch and Lawrence have described the implication of situational management as follows:

   "Underlying this new approach (contingency approach) is the idea that the internal functioning of organisations must be consistent with the demands of the organisation task, technology, or external environment, and the needs of its members if the organisation is to be effective. Rather than searching for the panacea of the one best way to organise under all conditions, investigators have more and more tended to examine the functioning of organisations in relation to the needs of their particular members and the external pressures facing them. Besically, this approach seems to be leading to the development of a 'contingency theory of organisation with the appropriate internal states and processes of the organisation contingent upon external requirements and member needs."

2. The approach suggests suitable alternatives for those managerial actions which are generally contingent upon external and internal environment such as organisational design, strategy formulation, decision systems, influence systems, leadership, and organisational improvement. In all these cases, action alternatives cannot be arranged in advance but have to be identified and adjusted according to the situations in which decisions in respect of these have to be made.

3. Contingency approach suggests that since organisation interacts with its environment, neither the organisation nor any of its subsystems is free to take absolute action. Rather, it has to modify and adjust the actions subject

100

to various forces like social, political, technical, and economic. Besides, the actions should be according to the needs of internal state of the organisation or its subsytems. Thus, the basic problem of managing is to align the internal state with the external state.

(c) **Limitations of contingency approach**

In spite of the various contributions, contingency approach has not been acknowledged as a unified theory of management because it suffers from some limitations. These limitations are of the following nature:

1. **Inadequate literature**. Contingency approach suffers from inadequacy of literature. Therefore, it has not adequately spelled out various types of actions which can be taken under different situations. It is not sufficient to say that 'managerial action depends on the situation.' The approach should provide 'if this is the situation, this action can be taken'. Unless this is done, the approach cannot offer much assistance to the practice of management. No doubt, researches have been conducted in this direction but, by and large, they have not satisfied the needs of managers.

2. **Complex.** The suggestion of the approach is very simple, that is, managers should do according to the needs of the situation. However, when put into practice this becomes very complex. Determination of situation in which managerial action is to be taken involves analysis of a large number of variables with multifarious dimensions. Therefore, there is a possibility that managers, who are always short of time, may ignore the thorough analysis of all these variables and may resort to short-cut and easier way.

3. **Difficult empirical testing**. Contingency approach, being complex, presents problems in testing the precepts of the theory. For empirical testing of a theory, it is necessary that some methodology is available. No doubt, methodology is available but because of the involvement of too many factors, testing becomes difficult. For example, contingency theory suggests that greater the degree of congruence

101

between various parts of organisational components, the more effective will be organisational behaviour at various levels. This lacks the empirical validity and hence cannot be adapted to managerial actions.

4. **Reactive not proactive**. Contingency approach is basically reactive in nature. It merely suggests what managers can do in a given situation. For a given organisation, suprasystem constitutes environment and management can be applied to suprasystem also. Therefore, managers are responsible to manage the environment in such a way that they avoid the undesriable aspects of environment. Since the managers are quite powerful in the society, they must be in a position to provide a sense of direction and guidance through innovative and creative efforts especially in coping with the environmental changes.

No doubt, these limitations are valid, but the situation remains that at micro level, managers have to manage according to contingency approach. They should not ignore the importance of taking actions according to the needs of the situations. For analysing the situations, they will have to use their highest skills.

ii. Mckinsey's 7-S approach

Mckinsey developed 7-S framework for management :

1. Strategy, i.e., systematic allocation of resources to realise strategic goals.

2. Structure, e.g., organisation structure.

3. Systems, e.g., information system, control system.

4. Style, e.g., managerial style.

5. Staff. e.g., staffing.

6. Shared values, e.g., human values in humanising an organisation.

7. Skills, e.g., professional skills, strategy skills.

102

It is a simple, easy to remember framework. Practicing managers and teachers like it. But managerial function of planning-action-control cycle covers them and the cycle is followed in management books.

iii.   The operational approach

It emphasises typical operations involved in management e.g., line and staff, departmentation. It draws on all other managerial approaches. It has practical application to managing. However, it is based mostly on management process approach. It is almost similar to functional approach.

iv.   The managerial roles approach

Prof. Mintzberg describes ten roles played by a manager. These are grouped into three categories. Interpersonal roles covers the first three roles: Figurehead role, leader role and liaison role. The next three as informational roles cover receiver, giver and transmitter of information. The final four are termed as decisional roles such as entrepreneurial, handler of disturbances, allocator of resources and negotiator debating with third parties and workers unions.

A key point about the role of managers is, of course, the capability or adaptability of manager to many different uses in addition to those mentioned above. Much will depend upon your job and the circumstances. The specialist manager must also possess the quality of versatility.

Really speaking, the roles described by Mintzberg are evidences of all well-known managerial functions, e.g., interpersonal role is a leading function, allocation of resources is a planning function. We have many other roles played by a manager in addition to those ten roles, e.g., acting as a trouble shooter, innovator, recruiter, etc.

In interpersonal relations, particularly, manager must remember that he as a human being deals with other human beings. Here, human values, ethical and moral, play an important role. He must constantly think of values.

Characteristics of Modern Management Thought

1. **The systems approach** : An organisation as a system has five basic parts: (1) input, (2) process, (3) output, (4) feedback, and (5) environment. It draws upon the environment for inputs (resources). Management allocates and combines these resources or inputs to produce certain desirable outputs. The success of these outputs can be judged by means of feedback. If necessary, they have to modify their mix of inputs to produce outputs as per changing demands and changing environment.

2. **Dynamic** : They have a dynamic process of interaction occurring within the structure of an organisation. The equilibrium of a organisation and its structure is itself dynamic or changing. The classical theory assumed static equilibrium.

3. **Multilevel and multidimensional**: Systems approach points out wheels within wheels or complex multilevel and multidimensional character. They have both a micro and a macro approach. A company is micro (little world) within a business system. It is macro (the great world) with respect to its own internal units. Within a company as a system we have: (1) production subsystem, (2) finance subsystem, (3) marketing subsystem, (4) personnel subsystem. All parts or components are interrelated. Both parts as well as the whole are equally important. At all levels, organisations interact in many ways.

4. **Multimotivated**: Classical theory assumed a single objective, for instance, profit. Systems approach recognises that there may be several motivations behind our actions and behaviour. Management has to compromise and integrate these multiple diverse objectives e.g., economic objectives and social objectives, i.e., productivity and satisfactions (shareholders, employees, customers, community and society).

5. **Multidisciplinary**: Systems approach integrates and uses with profit ideas emerging from different schools of thought. Management freely draws concepts and techniques from many fields of study such as psychology, social

psychology, sociology, ecology, economics, mathematics, operations research, systems analysis, etc.

6. **Multivariable**: It is assumed that there is no simple cause-effect phenomenon. An event may be the result of so many factors which themselves are interrelated and interdependent. Some factors are controllable, some uncontrollable. Intelligent planning and control are necessary to face these variable factors. They do not live in a vacuum or in a system unaffected by outside influences. They live in a dynamic, complex and the great world system.

7. **The survival and growth of an organisation in a dynamic environment demands an adaptive system which can continuously adjust to changing conditions**. A viable organisation and its environment are in a dynamic equilibrium. An organisation is an open system adapting itself through the process of feedback. They have human or machine controller to provide necessary corrections on the basis of feedback of information in order to achieve desired results.

8. **Probabilistic** : Management principles point out only the probability and never the certainty of performance and the consequent results. They have to face so many variables simultaneously. How can they have absolute predictability of events? Our forecasts are mere tendencies. Of course, Intelligent forecasting and planning can reduce the degree of uncertainty to a considerable extent, projects and information decision systems in future. A mechanistic or bureaucratic approach to management is appropriate when: (1) Environment is unchanging; (2) Emphasis is on efficiency, (3) Emphasis is on routine jobs, many rules and procedures. An organic or behavioural managerial approach is preferred when: (1) We have fast changing environmental, (2) We want flexibility, (3) Emphasis is on less specialised jobs, fewer rules, procedures, etc. and (4) Employees can exercise self-control and self-discipline. Systems approach/leads to holism.

Management Thought In The Light Of Indian Ethos and Insights

Western management thought could not produce the true holistic and integrative principles for management philosophy. Indian ancient wisdom provides value-based holistic approach to link our ancient culture and modern management so that we can have a new and authentic philosophy of management.

The essential link is found in holism starting with the course of subjective management, a new movement in management thinking and practice, a movement that will make 'the managerial revolution' of 21st century.

The holistic or integrative principle is a goal that unites all the different aspects of business into One common social, economic and ecological goal. Business organisation based on objective terms (conveniently ignoring subjective terms) was concerned exclusively with what is preyas of socially desired in contrast with what is socially and ecologically desirable or needed, i.e., Sreyas (which is conveniently ignored).

Under holism, we have to develop unity and harmony between : (1) spirit and science, (2) values and skills, (3) subject and object, (4) left-brain skills and right-brain skills (5) subjective and object, (6) Management of self and management of other people for getting things done through and with them. (7) man and machine, (8) economic development and human/ecological development, (9) profit motive and social responsibility, (10) individual benefit and public benefit, (11) internal development and external development and (12) quality of life i.e., standard of life and quantity of life or standard of living. We want enriched quality of life for all. Wealth is not merely for rising consumption. It is essentially a means for public good.

Under the Western management thought according to current accepted definition, business is created by society as its instrument of wealth and welfare, functioning for socially desired goals, through result-oriented means, in short-term success and continuous conflict between individuals and businesses.

Under Indian ethos and insight business was created by society as an instrument of wealth for welfare, to attain socially desirable or needed goals (i.e., shreyas and not preyas goals), through ethically worthy means (i.e., value-driven means and value-driven goals),

106

resulting in a generation of healthy, wholesome individuals who carry human and ethical values and positive impulses in their community.

If management adopts value-oriented holistic management as per ancient Indian insight, the practice of management will surely acquire a new look or appearance. Developing Macro Vision is the practical need of the day. The times are rapidly changing. It will no longer be a purely objective exercise to achieve only external results even at the cost of internal disharmony and unrest. On the other hand, it will give equal emphasis on subjective and objective aspects of development of individual, organisations and society. Indian insight wants individuals (managers and workers) to emerge as important positive, wholesome, harmonious individuals with a sense of growing towards their own total fulfillment. In this way, managers will be able to create a healthy, wholesome, harmonious and happy community, of which the managers themselves will be satisfied members. We can have both increasing standard of life and also increasing standard of living for all members of the society and the nation. We shall assure enriched quality of life and also enriched material prosperity. Individuals, organisation and society all will have sustained economic growth without ecological damages, e.g., pollution of environment.

The Indian wisdom insists on concepts such as yajna spirit (sacrificing individual desires in favour of social benefits), sreyas (preferring long-term benefits over short-term preyas gains), sharing in joy and a sense of cosmic harmony. Here, business is regarded as a means for the evolution of human society towards its own perfection, with all its activities being supplementary to and justifiable only in terms of perfection. Means and ends both will honour human and ethical values.

In spite of many streams of management thought in the West, we have still the unstable state of management theory. We need a modern synthesis to pull together ideas from all stream of thought. Indian Insight can bring about synthesis through holistic approach and reconcile all dualities. Holistic approach alone can give us the Macro Vision of Life as One expressing Many diverse Forms. Let us develop the Vision of Unity in Diversity.

Eastern Insight can introduce integration or synthesis in management theory and practice. Let us Eastern Wisdom with the Western Management techniques.

107

Chart 1.1: Evolution of organisation and management theory

Traditional Theory	Modifications	Emerging View or Systems Approach
Taylor Scientific Management (Efficient Task Performance) Weber	Mayo (Hawthrone Studies) Human Relations Maslow, MacGregor, etc.; Behavioural sciences	Views on organisation as: 1. Open, adaptive system in a broader environment.
Bureaucratic Model (Authority and Structure)	(Psychological, cultural and sociological issues)	2. Goal oriented; including 3. A technical subsystem
Fayol Administrative or pro-cess Management	Quantitative decisionmaking —Management sciences (OR) (Economic-technical Rationality)	4. A structural sub system 5. A psycho-social sub-system and coordinated by
Theory (Universal Man-agement Principles).		6. A managerial system. (socio-economic and technological system)
1900-1930	1930-1960	1960-onwards

Two broad modification in traditional theory were introduced: (1) behavioural sciences (psychologists, sociologists and aunthropologists) emphasized psycho-social system and the human aspects of management; (2) Management sciences emphasised the economic-technical system and quantification, mathematical models and the application of computer technology. Behavioural sciences have a humanistic approach while management sciences and traditional school of management do not have direct interest in human factors or value. Behavioural sciences are gaining unique importance in the evolution of good organisational behaviour through appropriate humanised organisation structure, man-machine organisation motivation, job structure work environment, democratic participative leadership.

Under this systems approach we have integration of: (1) classical school, (2) behavioural sciences, (3) management science, and (4) decision-making school of management thought. Structure and ongoing process are given equal importance.

Internal and external environment shall determine structure and process of organisation and management. Thus we have wide acceptance for systems based contingency approach to management.

Chart 1.2: Classical versus humanistic designs

Mechanistic or Classical Design	*Organic or Humanistic Design*
1. Closed systems view of organ-isolations — all variables under management control — static environment.	1. Open and adaptable systems view of organisation existing in a dynamic environment.
2. Full division of work leading to job specialisation and standardisation.	2. Moderate division of work leading to job enlargement, job enrichment.
3. Higher degree of centralisation.	3. Higher degree of decentralisation.
4. Authority and command leading to bureaucratic, authoritarian and autocratic management.	4. Authority, subject to acceptance from subordinates, leading to democratic participative management — decisions by consensus.
5. Tight hierarchical structure with chain of command, and management by command.	5. Loose project organisation and management by consultation and participation.
6. Vertical communication downward more dominant.	6. Multidirectional and free communication, Inter/Intra Network.

109

7. Negative environment for development of human resources due to limited decentralisation.	7. Positive environment for development of human resources due to adequate decentralisation.
8. Organisation could satisfy only maintenance of economic needs.	8. Ample scope for motivation needs-higher level wants.
9. Relatively tight and close control over subordinates.	9. Increasing reliance on management by objectives (self-control)
10. Rigid policies, procedures, rules and methods — leading to mechanistic organisation.	10. Flexible policies, procedures, methods leading to humanistic and flexible organisation.
11. Formal organisation dominating due to autocratic approach.	11. Integration of formal and informal organisation due to democratic approach.
12. Threatening and performance oriented job environment.	12. Supportive and development oriented job environment.
13. Production centred approach of management.	13. Customer-employee oriented management approach.
14. Theory X approach of leadership.	14. Theory Y approach of leadership.

Modern management theory has adopted systems-based contingency approach to organisation and management.

Organisation/management structure, processes and technology in a firm constitute the internal environment forces. Social, economic, technological (research and development) legal and political variable constitute the external environment of the firm.

Concepts of management and organisation are influenced by internal and external environment of a firm.

Situation, circumstances, and environment factors determine appropriate techniques of organisation and management. Hence, no universal functions and principles of management and organisation.

(1) In a certain environment linear programming, inventory, models, brakemen analysis can be effectively used to compute the optimal action/outcome.

(2) In an environment of risk, the general rule is to maximise expected (likely) outcome. In risk situations PERT and other tools such as statistical quality control could help in making the decision.

(3) In an uncertain environment, decision-making needs intuitive skills, drawing on experience and creative abilities as well as power of judgement.

1.13 CONTRIBUTION BY C. K. PRAHALAD

Coimbatore Krishnarao Prahalad, better known as C K PRAHALAD was a man with great vision. He was a remarkable teacher, researcher, entrepreneur, and a management guru. He saw the future and introduced various theories that made people believe that the world can be made a better place. His work contributed in the upliftment of the poor, helped various businesses and also showed the world the real key to success. His theories have made a great difference to India and other developing countries worldwide. As a though leader he propagated many concepts like strategic intent, co-creation rather than competition and bottom of pyramid which have benefitted the companies and society.

THE BEGINNING TO HIS CONTRIBUTION (1975)

C.K Prahalad wrote a doctoral thesis on multinational management at Harvard Business School.

DOMINANT LOGIC (1986)

The concept of 'Dominant Logic' was introduced by Bettis and Prahalad to determine the success of diversification by firms. The success of diversification is, however, difficult to measure. Dominant Logic is the thinking of the management limited to a common strategy for different businesses or a mind set. It refers to a scheme or schema of mental maps

which have to be developed considering experience in the past, which would form a base with which manager's look at diversification into new businesses. Diversification by firms would be successful if the management is prepared to adjust its dominant logic consciously according to the needs of the new business which would help the management know the actual needs of the customers and the degree of competition in the market, without any biasness. The management might also be resistant towards any alteration in the dominant logic. The degree of resistance depends on the willingness of the management to adapt and learn. The concept of "strategic variety" of different businesses of firms (i.e. the business model) was introduced by the authors. The success of diversifications, to a great extent, depends on the ability of the firm to be able to alter and manage this variety for different businesses at the same time.

STRATEGIC INTENT (1989)

Gary Hamel and C.K. Prahalad explained that a Strategic Intent is nothing but a dream or an aim that motivates and provides energy to the organisation towards success its future. It is not as narrow as a specific goal nor is it as broad as the purpose of an organisation; it is a position in which an organisation views itself at a point in the future. A 'Stretch' in the resources of the organisation would be required in order to achieve that aim.

Strategic intent comprises of three attributes

- Sense of Direction

- Sense of Discovery

- Sense of Destiny.

Sense of Direction means the position (in the market and within its competitors) in which an organisation desires to be in the future. This would give an organisation a direction or a path.

Sense of Discovery is an assurance given to the employees of an organisation to explore new markets and territory.

112

Sense of Destiny implies an emotional factor in the strategic intent i.e. the aim of the organization should make the employees feel that they are working towards achieving something momentous.

THE END OF CORPORATE IMPERIALISM (1998)

Most of the multinational companies will have to compete with each other in the markets of the developing countries such as India, China, and Brazil etc. As the MNC's mainly desire for new market share, it becomes essential for them to penetrate into these markets as they have a soaring growth rate. The article talk about the imperialist mindset of the MNC's in the 80's, who exploded onto the rising markets with their old products thinking that they would be able to acquire some profits out of these sunset technologies.

The MNC's understand the opportunities prevailing in the emerging markets however; with the change in time it is imperative that they look deeper through these markets and not just its cultural sensitivity. The MNC's will need to generate new ideas and they will have to adopt new ways of thinking. Reconstruction of their present business elements and a firm commitment towards a new desirable segment would help them achieve greater heights.

It incorporates the imperial mind-set concept and states that the MNC's victories in the developing markets will end corporate imperialism. C.K Prahlad believes there are five basic questions that MNC's must answer to compete in these emerging markets:

1. Who is the emerging middle-class market in these countries, and what kind of business model will effectively serve their needs?

2. What are the key characteristics of the distribution networks in these markets, and how are the networks evolving?

3. What type of local and global leadership is required to foster business opportunities?

4. Should the MNC adopt a consistent strategy for all its business units within one country?

113

5. Will local partners accelerate the multinational's ability to learn about the market?

THE CORE COMPETENCE OF THE CORPORATION (1990)

This theory caused rational upheavals in management practices, today it is practiced by various businesses. It explains the concept of core competencies by referring to the diversified giant NEC that competed in ostensibly divergent businesses. By using its core competencies, NEC was able to successfully achieve what most of the companies try to accomplish: discovering new markets, exploiting blooming ones, satisfying customers with products they has never thought of but needed.

C.K Prahalad believed that while developing a strategy companies should concentrate on their core competencies and they should keep improving and building on them. Also, these competencies should be the most important factors to be considered for the planning and implementation of the strategy. Each company can have one or more core competencies but the competency that creates a distinction between the company and its competitors is considered to be as the ideal core competency. The core competency should be such that the competitors find it difficult to adapt to and compete against thus creating an individual identity for the company.

THE FUTURE OF COMPETITION (2004)

This book is about co-creation, a concept created by the authors of the book Mr. C.K Prahalad and Mr. Ramaswamy. This book was published in 2004; however the concept of co-creation was introduced four year earlier in their Harvard Business Review article 'Co-opting customer competence'

People have mixed thoughts about co-creation. Few believe that it is just a catchphrase to enhance the experience of the customers. On the other has some people say it is concerned with involving customers. However the authors mention that the main idea behind this is choice. They believe that consumers with the help of a variety of experiences hunt for freedom of choice to interact with the firm. The authors say the it is the customers that will be able to characterize the choices in a way that will replicate their view of value and hence, theses choices should be customer-not supplier-led. When a customer's experience is co-created with the other customers, this will assure

114

that whatever the customers desire to get they will get exactly that and will eventually be loyal to the firm.

Hence we can say that the fundamental word would be 'choice' and the main result would be fulfilling customers' needs and want and not just focusing on customer experiences. This can lead to an unexpected win-win situation. For instance, many firms have transferred their work onto the customers like, removing money yourself out of the ATM, filling the credit card details yourself and so on. This creates a relationship gap between the customers and suppliers but the customers prefer it this way as it gives them freedom, saves time, flexibility and most importantly choice.

CO-CREATION

Co-creation was another huge contribution made by C.K.Prahalad, developed together with the help and support of Venkat Ramaswamy. They suggested that the customers should be involved in every step of the value chain of the products offered by a company i.e. design, functionality, services etc. This, according to them, would offer a new customer experience in addition to the obvious customer satisfaction, as the customers would be able to get exactly what they desire. The company should also be willing to let the customers be absolutely involved and access information along with a high degree of transparency. With the immense advancement of technology, customers would be able to get the products that they feel would be preeminent. This concept was labeled "N=1" by Venkat and Prahalad, as each customer would get tailor-made products. Similarly, resources utilized by a company are global, thus, they called that "R=G". Keeping these concepts and the modern technology in consideration, they believed that different demands of different customers could be satisfied. The additional advantage to a company would be that much of the work of the company would be done by the customer which in turn saves a lot of money for the company.

For Example: There would be no need to take a feedback or survey about the demands of the customers (which is a fairly expensive affair) or about the products as they can be tested and problems rectified by the customers themselves.

BOTTOM OF THE PYRAMID (2005)

In his much successful book – The Fortune at the Bottom of the Pyramid – C.K. Prahalad believed that traditional methods such as higher sales and lower margin could be used by a company but there were other methods of exploring the Bottom of the Pyramid (BoP) markets as well. He emphasized on the notion of exploring the BoP market profitably by working \backwards from what the consumers are willing to shell out for the product and then work on the costs by keeping that amount in consideration.

Example: The Aakash tablet (UbiSlate 7+) is the world's cheapest tablet made for the BoP market. It is priced at just 35$ for students and 60$ to the general public. According to C.K. Prahalad, a company that is keen to explore the BoP market would be successful only if it is willing to mould its business model by adapting to the change of exploring such a segment or sometimes, by changing their business model completely.

THE NEW AGE OF INNOVATION: Driving Co-created Value through Global Networks (2008)

In 'The New Age of Innovation', C.K Prahlad and M.S Krishnan have written about their central thesis which mentions that there are new administrative demands that necessitate innovative sources of value creation. They also state that thses demands have shaped an environment where organisations will have to provide each of their customers with customized products to satisfy them. This can be done by building strong and new relations with different suppliers.

The book mentions that new sources are emerging and the authors have suggested internal capacity by arranging resources in real time by concentrating on standard, transparent, and flexible business processes. The book has mentioned the concept of co-creation.

1.14   SELF ASSESSMENT QUESTIONS

1.   What do you mean by the term 'management'? Give its features and importance.

2. Trace the evolution of management thought.

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3. Differentiate between administration and management.

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4. How do you distinguish between organisation and management.

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5. Discuss the levels of management?

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1. 15 BOOKS RECOMMENDED

- LM Prasad : Principles and Practice of Management (Sultan Chand & Sons)

- Gupta, Sharma and Bhalla: Principles and Practices of Management (Kalyani Publishers)

117

- T. Ramasamy: Principles of Management (Himalaya Publishing House)

- George R Terry : Principles of Management (Richard D Irwin Inc)

- Harold Koontz and Heizweihrich : Essentials of Management (Mcgraw Hill series in Management)

- Peter F Drucker : Frontiers of Management (Heinemann London)

- Peter F Drucker : Managing for future (Tata Mcgraw Hill)

- J.S. Chandan : Management theory and Practice (Vikas Publishing House Pvt Ltd.)

FUNCTIONS OF MANAGEMENT

Objective:

After going through this lesson, you should be able to:

- Describe the meaning of planning and its process

- Illustrate the types, benefits and limitations of planning

- Elucidate the different concepts of organisation and its features

- Explain in detail the various forms and theories of organisation

- List out the principles of effective delegation

- Define the meaning and features of staffing and man power planning

- Explicate the Maslow's and Herzberg's theories of motivation.

Structure:

2.1   Introduction

2.2   Meaning and Definitions of Planning

2.3   Characteristics and Nature of Planning

2.4   Objectives of Planning

2.5   Advantages of Planning

2.6   Planning Process

2.7   Types of Planning

2.8   Significance and Limitations of Planning

2.9   Meaning of Organisation

119

2.1 INTRODUCTION

Planning is essential in every walk of life. Each and every person has to frame a plan to proceed in his schemes. A person whether he is engaged in business or not, has framed a number of plans during his life. The plan period may be short or long. According to **Arnold Toynbee,** "One of the characteristics of being human is that he makes plan".

Planning is the first and foremost function of management. All eminent writers have said that the planning function precedes all other managerial functions. Effective planning facilitates early achievement of objectives, which depends upon the efficiency of the planner. A planner is the person who frames a plan to put his schemes into practice. The planner can develop his efficiency by preparing himself to face the future developments. One of the most important functions of management at all levels is to plan. It is concerned with the determination of future course of action in advance to achieve the desired results. It is concerned with thinking before doing and deciding in advance what is to be done, how is to be done, when is to be done how is to do it.

The necessity for the planning arises because of the fact that business organisations have to operate, survive and progress in a highly dynamic economy where change is the rule, not the exception. The change may be sudden and extensive, or it may be slow and almost unnoticeable. Some of the important forces of change may be: changes in technology, changes in population and income distribution, changes in the tastes of consumers,

Changes in competition, changes in government polices etc. often give rise to innumerable problems and thrown countless challenges. Most of these changes are thrust on managers and managers are force to adjust their activities in order to take full advantage of favourable developments or to minimise adverse effects of unfavorable developments or to minimize adverse effects of unfavourable ones.

121

Successful managers try to visualize the problems before they create an undesirable environment. Basically, planning at the organisational level is done to achieve protective benefits resulting from changes for error in decision-making; protective benefits in the form of increased success in reaching organisational objectives. If management is not an active participant in the competitive world the results may be disastrous. For example, by pursuing a policy of offering quality product at an economical price, a small manufacture of NIRMA brand detergent powder could demolish the market supremacy of SURF manufactured by a multi-product multinational enterprise, Hindustan Unilever Ltd.

2.2   MEANING AND DEFINITIONS OF PLANNING

Planning is an intellectual process of thinking resorted to decide a course of action which helps achieve the predetermined objectives of the organisation in future. In simple words, planning is deciding in advance what is to be done, when where, how and by whom it is to be done. Planning bridges the gap from where we are to where we want to go. It includes the selection of objectives, policies, procedures and programmes from among alternatives. A plan is a predetermined course of action to achieve a specified goal. It is an intellectual process characterised by thinking before doing. It is an attempt on the part of manager to anticipate the future in order to achieve better performance. Planning is the primary function of management.

In simple term, a plan is anything that involves selecting a course of action for the future. It is the function that answers four basic questions as shown in Fig. 2.1

(3) GAP?

4) HOW TO BRIDGE THE GAP

[CURRENT SALES]   **[FUTURE IMAGE]**

(1) Where are we now?   **(2) Where we want to be?**

Fig. 2.1

122
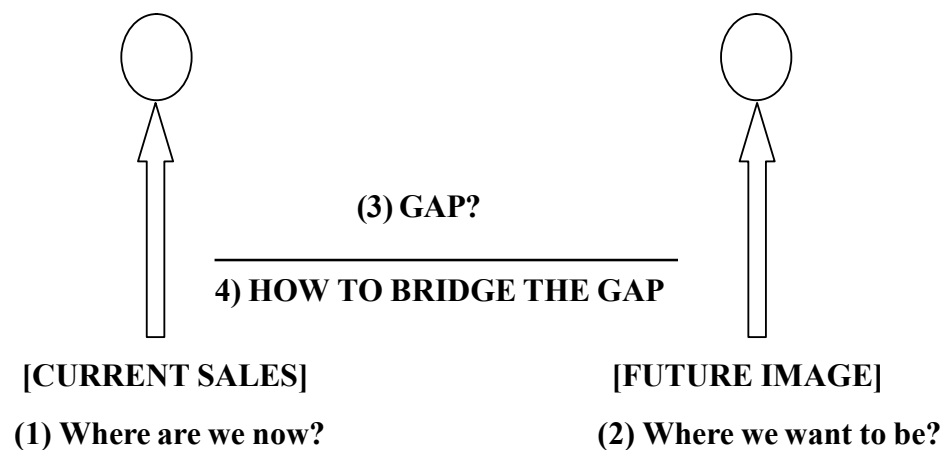
1. **Where are we now?** This question concerned with making a realistic assessment of the current situation and forecasting how the picture may change in the future.

2. **Where do we want to be?** This is concerned with finding out the desirable objectives keeping the present as well as future requirements.

3. **Gap:** What is the amount of difference between where we are now and where we want to be?

4. **How can we get there from here?** This is a question of deciding in the present what has to be done min future. Planning is concerned with future implications of current decisions, not with decisions to be made in the future.

The meaning of the word 'planning' is something of a paradox. To some, it is an omnibus term having convenient utility and a generalised context extending from broad philosophical considerations to precise details. They think of it as specific activity; in contrast, others believe it is a part of, perhaps even a symbol for almost everything a person does. Then, too, the upsurge in planning has created many different kinds of planning, and this array of different entities, all identified by planning has added to confusion. There are some who consider planning synonymous with decision-making. This is also erroneous. Decision-making is not the same as planning because one can make decisions in other activities also, though the role of decision making is highly important in planning.

Another confusion that arises in the concept of planning is the two words: planning and plan. Two words are similar but their meanings are different. There is fundamental difference between the two. **Planning** is an activity. It can be considered as consisting of a process hence various sub-activities. On the other hand, **Plan** is a commitment to a particular course of action believed necessary to achieve specific results. For example, Government of India prepares five-year plans which consist of various actions to be taken, results to be achieved, and resources to be used. These are plans. The plans are prepared through the planning process which involves taking various activities to arrive at what is to be achieved, how to be achieved, and when to be achieved. Therefore, planning is taken as a process.

Planning as a process involves the determination of future course of action, that is why an action, what action, how to take action, and when to take action. These why, what how, and when are related with different aspects of planning process. Why of action reveals that action has some objectives or the end result which an organisation wants to achieve; what of action specifies the activities to be undertaken; how and when generate various policies, programmes, procedures and other related elements. Thus, all these elements speak about futurity of action. Terry has defined planning in terms of future course of action. He says that:

"Planning is the selection and relating of facts and making and using of assumptions regarding the future in the visualisation and formalisation of proposed activities believed necessary to achieve desired result."

Thus, in planning, a manager uses facts, reasonable premises, and constraints, and from all these he visualises and formulates what necessary activities are, how they will be conducted, and what will be their contribution to achieving desired results. McFarland has defined planning in terms of actions of anticipating, influencing, and controlling the nature and direction of change as he believes that the environment in which planning process is undertaken is too dynamic and changing. He defines planning as follows:

"Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change." 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 concluded that "planning is the selecting and relating of facts and the making

and using of assumptions regarding the future in the visualisation and formulation of proposed activities believed necessary to achieve desired results."

<u>Definitions of Planning</u>

Ways of defining planning are legion in management literature. Some definitions are simple, some are long and exhaustive. Essentially, the following important definitions while defining the term 'Planning' are given below:

According to **Alford and Beatt,** "Planning is the thinking process, the organized foresight, the vision based on fact and experience that is required for intelligent action."

According to **Theo Haimann**, "Planning is deciding in advance what is to be done. When a manager plans, he projects a course of action for further attempting to achieve a consistent co-ordinate structure of operations aimed at the desired results.

According to **Billy E. Goetz,** "Planning is fundamentally choosing and a planning problem arises when an alternative course of action is discovered."

According to **Koontz and O' Donnell**, "Planning is an intellectual process, conscious determination of course of action, the basing of decision on purpose, facts and considered estimates."

According to **L.A. Allen**, "A plan is a trap laid to capture the future."

According to **Terry**, "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 the desired results."

Haynes and Massie, "Planning is that function of the manager in which he decides in advance what he will do, It is a decision making process of a special kind. It is an intellectual process in which creative thinking and imagination are essential."

Kast and Rosenzweig, "A plan is a determined course of action."

H. Fayol, "Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the pre-determined goals."

J.P. Barger. "Planning is an ability to visualize a future process and its results."

W.H. Newman, "Generally speaking, planning is deciding in advance what is to be done, that is, a plan is a projected course of action."

L. Urwick, "Planning is fundamentally a mental pre-disposition to do things in an orderly way, to think before acting and to get in the light of facts rather than of guesses."

Theo Haimann, "Planning is deciding in advance what is to be done."

Peter F. Drucker, "Planning is the continuous process of making present entrepreneurial (risk taking) decisions systematically and with best possible knowledge of their futurity, organizing, systematically the efforts needed to carry out these decisions and measuring the results of these decisions against the expectations through organized, systematic feedback."

Cyril L. Hudson, "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 a 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 anyone sector will in some way affect other sectors. Planning takes place at each managerial and supervisory level. Therefore, the overall plan must be made at the top and subsidiary plan making must be relevant to and consonant with the major plan. In short, planning must be a carefully controlled and co-ordinated activity."

Hamilton Church, "Planning is, in essence, the exercise of foresight."

According to M.S. Hurley, "Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programs from among alternatives."

Hodge and Johnson, "Planning is an attempt to anticipate the future in order to achieve better performance."

Hart, "Planning is the determination in advance of a line of action by which certain results are to be achieved."

Dalton E. Mc. Farland defines planning as, "Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change.

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

2.3 CHARACTERISTICS AND NATURE OF PLANNING

The following are the characteristics of planning:

1. Planning is looking into the future.

2. Planning involves predetermined line of action.

3. Planning discovers the best alternative out of available many alternatives.

4. Planning requires considerable time for implementation.

5. Planning is a continuous process.

6. Planning's object is to achieve pre-determined objectives in a better way.$_m$

7. Planning integrates various activities of organisation.

8. Planning is done for a specific period,

9. Planning not only selects the objectives but also develops policies, programmes and procedures to achieve the objectives.

10. Planning is required at all levels of management.

11. Planning is an inter-dependent process which co-ordinates the various business activities.

12. Planning directs the members of the organisation.

13. Growth and prosperity of any organisation depends upon planning.

Nature of Planning

There are number of ways available to complete a certain job. Planning chooses any one of the best alternatives out of the available ones. Economy and certainty are considered while selecting the best alternative. Thus, the nature of planning is briefly discussed below:

1. Primary of planning

The functions of management include planning, organising, staffing, directing and controlling. Eminent writers may add other new ones to these functions or those which have not been included in these functions. Anyway, writers unanimously accept that planning is the primary function of all the other functions. The reason is that the manager wants to achieve the pre-determined objectives in a better way.

2. Planning contributes to objectives

There is a close connection between objectives and planning. Planning is based on the objectives. If there is no link between planning and objectives, the former will only be a mental exercise and of no use. Planning contributes to the attainment of objectives.

3. Planning an intellectual activity

Planning includes the selection of the best alternative available and thinking before selection of the best alternative. It involves the ability to foresee mishaps in future which might affect the smooth functioning of an organisation. So, planning is an intellectual activity.

4. Planning results in higher efficiency

Planning efficiency is measured in terms of input and output ratios. Planning leads to maximum output with minimum expenditure. This input and output relationship is not only determined by money, labour hours and production units but also by the degree of satisfaction available to the individual as well as the group. The high degree of human satisfaction motivates the workers to produce more within the specified time.

128

5. Planning is a continuous process

Planning, does not come to an end with the establishment of a business concern. Planning in other functions is also required. After the establishment of a business concern, certain decisions are taken. Planning is necessary to implement the decisions. A number of decisions are taken during the life time of the business concern. So, planning is necessary throughout the running of the business concern as a continuous process.

6. Planning is flexible

As already pointed out, while planning, any one of the available alternatives is selected. Planning selects the best alternative based on certain assumptions. If the assumptions are proved wrong, the selected alternative tends to be an incorrect one. There is a possibility of a dead log in the functions of the management. Planning has one more alternative to suit future situations. - •

7. Unity and consistency

Every department manager resorts to planning at different times. The planning is related to the achievement of objectives. In other words, managerial actions of different managers are unified in order to achieve the objectives. Policies and procedures of the organisation provide a basis for the consistency of executive behaviour and action in matters of planning.

8. Planning is common to all

Planning work is done by every person who is working in **a** business unit. He may be a managing director or a foreman.

Being of a higher place, the planning for a managing director is to frame the policies and procedures to be adopted. Being at a lower place, planning for a foreman is to allocate the work to his subordinates. So, planning is common to all.

9. Basis for all managerial functions

Planning is found at all levels of management. Top management looks after strategic planning. Middle management looks after administrative planning and the lower level

management looks after operational planning.

10.   Getting co-ordination

Planning co-ordinates with various business activities. Without planning, nothing can be coordinated.

11.   Considering limiting factors

Every plan is formulated after considering the limiting factors. The limiting factors may be money, skilled labour, quality materials, plant and machinery

2.4 OBJECTIVES OF PLANNING

Planning in any organisation serves to realise the following objectives:

1. Reduces uncertainty

Future is an uncertainty. Planning may convert the uncertainty into certainty. This is possible to some extent by, planning which is necessary to reduce uncertainty.

2. Brings co-operation and co-ordination

Planning can bring co-operation and co-ordination among various sections of the organisation. The rivalries and conflicts among departments could be avoided through planning. Besides, planning avoids duplication of work.

3. Economy in operation

As already pointed out, planning selects best alternatives among various available alternatives. This will lead to the best utilisation of resources. The objectives of the organisation are achieved easily.

4. Anticipates unpredictable contingencies

Some events could not be predicted. These events are termed as contingencies. These events may affect the smooth functioning of an enterprise. The planning provides a provision to meet such contingencies and tackle them successfully.

5. Achieving the pre-determined goals

Planning activities are aimed at achieving the objectives of the enterprise. The timely achievement of objectives are possible only through effective planning.

6. Reduce competition

The existence of competition enables the enterprise to get a chance for growth. At the same time, stiff competition should be avoided. It is possible, to reduce competition through planning.

2.5 ADVANTAGES OF PLANNING

Planning helps the organisation to achieve its objectives early. In this way, planning helps the organisation in many ways. Some of the advantages of planning are briefly explained below:

1. Better utilisation of resources

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

2. Helps in achieving objectives

Planning sets goals or objectives of an organisation. This gives effective direction to the control of employees of the organisation. In this way, planning helps the organisation to accomplish the predetermined goals or objectives.

3. Economy in operation

Unnecessary production, ineffective utilisation of resources and unnecessary activities of an organisation are eliminated through planning. This results in the economy of operations.

4. Minimises future uncertainties

The uncertain future increases the importance of planning. Planning foresees the changes and uncertainties taking shape in future and devices methods to face them. Some future uncertainties are thus, minimised through planning.

131

5. Improves competitive strength

Competitive strength is improved by adding new line of products, changes in quality and size of the product, expansion of plant capacity and changes in methods of work. These are achieved through planning.

6. Effective control

Control without planning is an impossible one. Control is used only when there is a well-chalked out plan. So, planning provides basis for controlling.

7. Motivation

A well-prepared plan encourages the employees of an organisation and gives them a sense of effective participation. Planning motivates the employees as to what the organisation wants to achieve and defines it to the employees.

8. Co-operation

Planning helps the management to pull the individual to achieve common objectives or goals. Planning provides well-defined objectives, unity of direction, well-published policies, procedures and programmes. All these facilitate to get co-ordination, whic consequently avoids duplication of work and interdepartmental conflicts.

9. Promote growth and improvement

Planning sets standard to control purpose. So, useless and aimless activities are avoided. It leads to the growth and improvement of an individual alongwith organisation.

10. Develops rationality among management executives

Disciplined thinking of management executives is geared up through formal planning. Management executives take action only after putting their thoughts in blueprint. In this way, planning brings rational thinking and approach among management executives.

11. Prevents hasty judgment

We can analyse a problem through a plan and consider the alternatives before taking a

sound decision. It is possible to plan inadvance as to what will be done and how it will be done. This process avoids hasty judgment.

12. Reduces red-tapism

Junior most executive can act according to pre-planned decisions. There is no need for him to get any fresh permission for his action. It saves time, energy and cost and reduces red-tapism.

13. Encourages innovative thought

A good plan should provide a basis for new thinking in any individual. It seeks a way to encourage people to co-ordinate and to achieve common objectives. According to **D.E.Hussey** "A good planning process will provide avenues for individual participation, will throw up more ideas about the company and its environment, will encourage an atmosphere of frankness and corporate self-criticism and will stimulate managers to achieve more.

14. Improves ability to cope with change

Planning helps managers improve to their ability to cope with changes but it cannot prevent changes from happening. This creates awareness among the managers regarding the incidence of change.

15. Creates forward looking attitude in management

Managers may lose their prosperity facing day to day problems. Planning helps a manager to become more prosperous and creates a forward looking attitude in him, thus such a planning ensures stability to management.

16. Development of efficient methods

Planning helps the management to develop efficient methods and procedures of action.

17. Delegation of authority facilitated

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

133

18. Anticipation of crisis

Careful planning will avoid the crisis which is likely to occur. In this way, management can reduce the internal organisational disturbances.

2.6 PLANNING PROCESS

Determining objectives and outlining the courses of action needed to achieve these objectives is referred to as the planning process. The actual steps in the planning process are difficult to specify for all organizations because of wide differences in size and complexity. However, it is possible to reduce the planning process to the following steps:

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┌──────────────┐   ┌──────────────┐   ┌──────────────┐   ┌──────────────┐
│ Perception of│──▶│ Establishing │──▶│ Planning     │──▶│ Identification│
│              │   │ objectives   │   │ Premises     │   │              │
│ Opportunities│   │              │   │              │   │ of           │
│              │   │              │   │              │   │ alternatives │
└──────────────┘   └──────────────┘   └──────────────┘   └──────────────┘
                                                                  │
                                                                  ▼
┌──────────────┐   ┌──────────────┐   ┌──────────────┐   ┌──────────────┐
│ Establishing │◀──│ Formulation of│◀──│ Choice of    │◀──│ Evaluation Of│
│ sequence of  │   │ supporting   │   │ alternative  │   │ alternative  │
│ activities   │   │ plans        │   │ plans        │   │              │
└──────────────┘   └──────────────┘   └──────────────┘   └──────────────┘
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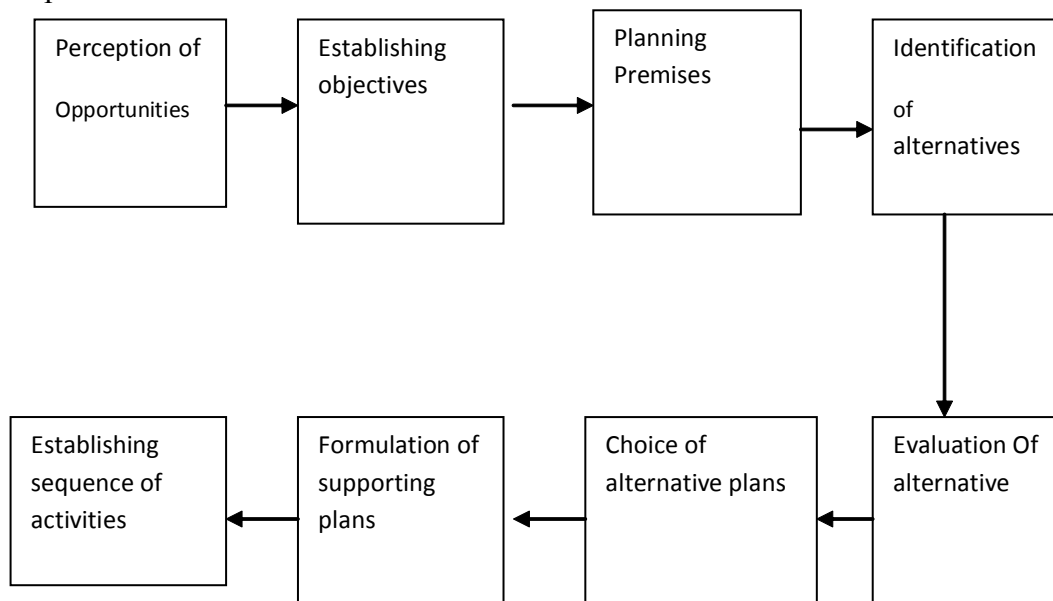
Fig. 2.2 A Basic Model of Planning Process

1.   Perception of opportunities. Perception of opportunities is not strictly a planning process. However, this awareness is not very important for planning process because it leads to formulation of plans by providing clue whether opportunities exist for taking plans. From this point of view it can be considered as the planning process. Perception of opportunities includes a preliminary look at possible opportunities and the ability to see them clearly and completely, knowledge of where

134

the undertaking of why the organization wants to solve uncertainties and a vision of what it expects to gain. This provides an opportunity to set the objectives in real sense because the organisation tries to relate itself with the environment. In doing so, it takes the advantages of opportunities and avoids threats. This is a preliminary stage, hence the analysis relates to the determination of opportunities at first instance. Once the opportunities are perceived to be available, the other steps of planning are undertaken.

2.   Establishing objectives.   At this stage, major organisational and unit objectives are set. Objectives specify the expected results and indicate the end point of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the various types of plans. The organisational objectives should be specified in all key result areas. Key result areas are those which are important for organisation in achieving its objectives. These are identified on the basis of organisation objectives. For example, for an organisation key result areas may be profitability, sales, research and development, manufacturing, and so on. Once organisational objectives give directions to the nature of all major plans which, by reflecting these objectives, define the objectives of major departments. These, in turn, control the objectives of subordinate departments, and so on down the line. Thus there will be hierarchy of objectives in the organisation.

3.   Planning premises. After determination of organisation of organisational goals the next step is establishing planning premises are planning assumptions— the expected environment and internal conditions. Thus planning premises are external and internal. External premises include total factors in task environment like political, social, technological, competitor's plans and action, government policies etc. Internal factors include organisations to withstand the environment pressure. The more individuals charged with planning understand and utilize consistent planning premises, the more coordinated planning will be. Furcating plays a major role in planning premises.

The nature of planning premises differs at different levels of planning. The top level is mostly externally focused. As one moves down the organization hierarchy, the composition of planning premises changes from external and internal. The major plans, both old and new will materially affect the future against which the managers at lower

units must plan. For example, superior's plans affecting a subordinate manager's area of authority become premises for the latter's planning.

4. Identification of alternatives. Based on the organisational objectives and planning premises. Various alternatives can be identified. The concept of various alternatives suggests that a particular objective can be achieved through various actions. For example, if an organisation has set its objective to go further, it can be achieved in several ways like expanding in the same field of business or product line, diversifying in other areas, joining hands with other organizations, or taking over another organisation, and soon. Within each category, there may be several alternatives which are to be reduced so the most promising ones may be taken for detailed analysis. Since all alternatives cannot be considered for further analysis, it is necessary for the planner o reduce preliminary criteria. Preliminary criteria can be defined in several ways, such as minimum investment required, matching with the present business of the organisation, control by the government, etc. for example, one company has defined preliminary criteria in terms of size of investment in new project and may not consider any project involving investment of less than Rs.40 crores.

Comparing alternatives in the light of goals sought- which alternative give in the bestchance of meeting our goals at the lowest cost and highest profits.
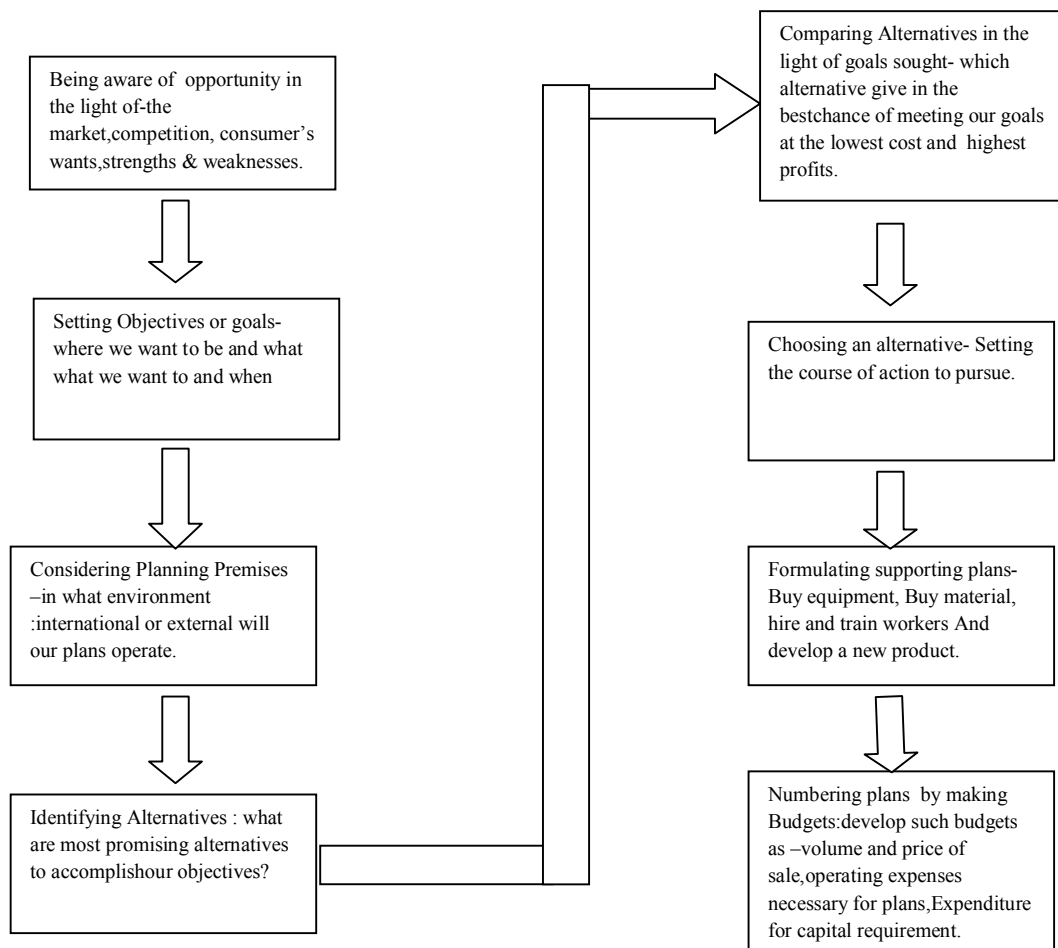
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┌─────────────────────────┐                              ┌─────────────────────────┐
│ Being aware of opportunity│                            │ Comparing Alternatives in the│
│ in the light of-the       │                            │ light of goals sought- which │
│ market,competition,       │                            │ alternative give in the      │
│ consumer's wants,         │                            │ bestchance of meeting our goals│
│ strengths & weaknesses.   │                            │ at the lowest cost and highest│
└─────────────────────────┘                              │ profits.                     │
            │                                             └─────────────────────────┘
            ▼                                                         │
┌─────────────────────────┐                                          ▼
│ Setting Objectives or    │                              ┌─────────────────────────┐
│ goals- where we want to  │                              │ Choosing an alternative- │
│ be and what what we want │                              │ Setting the course of    │
│ to and when              │                              │ action to pursue.        │
└─────────────────────────┘                              └─────────────────────────┘
            │                                                         │
            ▼                                                         ▼
┌─────────────────────────┐                              ┌─────────────────────────┐
│ Considering Planning     │                              │ Formulating supporting   │
│ Premises –in what        │                              │ plans- Buy equipment,    │
│ environment :international│                             │ Buy material, hire and   │
│ or external will our     │                              │ train workers And develop│
│ plans operate.           │                              │ a new product.           │
└─────────────────────────┘                              └─────────────────────────┘
            │                                                         │
            ▼                                                         ▼
┌─────────────────────────┐                              ┌─────────────────────────┐
│ Identifying Alternatives:│                              │ Numbering plans by making│
│ what are most promising  │                              │ Budgets:develop such     │
│ alternatives to          │                              │ budgets as –volume and   │
│ accomplishour objectives?│                              │ price of sale,operating  │
└─────────────────────────┘                              │ expenses necessary for   │
                                                          │ plans,Expenditure for    │
                                                          │ capital requirement.     │
                                                          └─────────────────────────┘
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Fig. 2.3 An Extended Model of Planning Process

5. Evaluation of alternatives. Various alternatives which are considered feasible in terms of preliminary criteria may be taken for detailed evaluation. At this stage, an attempt is made to evaluate how each alternative contributes to the organisational objectives in the light of its resources and constraints. This presents a problem because each alternative may have certain positive points on one aspect and negative on others. For example, one alternative may be most profitable but requires heavy investment with long gestation period; another may be less profitable but also involves less risk. Moreover, there is no certainty about the outcome of any alternative because it is related with future and future is not certain. It is affected by large number of factors making the evaluation work quite complex. This is the reason why more sophisticated techniques of planning and decision making have been developed.

137

6. Choice of alternative. After the evaluation of various alternatives, the fit one is selected. Sometimes evaluation shows more than one alternative is equally good. In such a case, a planner may choose more than one alternative. There is another reason for choosing more than one alternative. Alternative course of action is to be undertaken in future which is not constant. A course of action has chosen keeping in view the various planning premises. Therefore, planner must be ready with alternatives normally known as contingency plan, which can be implemented in changed situations.

7. Formulation of supporting plans. After formulating the basic plan, various plans are derived so as to support the main plan. In organization there can be various derivative plans like planning to buy raw materials, recruiting and training personnel, developing new product etc. These derivative plans are formulated out of the main plan and therefore, they support it.

8. Establishing sequence of activities. After formulating basic and derivative plans, the sequence of activities is determined so that plans are put into action. Based on plans at various levels, it can be decided who will do what and at what time. Budget for various periods can be prepared to give plans more concrete and meaningful implementation.

2.7 TYPES OF PLANNING

There may be several ways in which an organisation can undertake planning process though the basic steps involved remain the same in each way. Planning can be differentiated on the basis of coverage of organisational activities, importance of contents in planning process, time dimension in planning, approach adopted in planning, and degree of formalisation in planning process, as shown in Table 2.1.

TABLE 2.1: Types of planning

Dimensions	Types of planning
1. Coverage of activities	Corporate and functional planning
2. Importance of contents	Strategic and tactical/operational planning
3. Time period involved	Long-term and short-term planning

4. Approach adopted   Proactive and reactive planning

5. Degree of formalisation   Formal and informal planning

The above classification is not mutually exclusive but iterative. For example, strategic and tactical planning may be undertaken on the basis of proactive or reactive approach, or formal or informal basis. However, in each set of classification, the type of emphasis put in planning process differs.

A. CORPORATE AND FUNCTIONAL PLANNING

We have seen earlier that planning activity is pervasive and can be undertaken at various levels of an organisation. It may be for the organisation as a whole or for its different functions. Thus, based on the coverage of activities, there may be planning for the organisation as a whole, known as corporate planning or for its different functions, known as functional planning.

i) Corporate Planning: The term corporate planning denotes planning activities at the top level, also known as corporate level, which cover the entire organisational activities. The basic focus of corporate planning is to determine the long-term objectives of the organisation as a whole and then to generate plans to achieve these objectives bearing in mind the probable changes in environment. Because of long-term orientation involved and strategic aspects covered in corporate planning, it is also used as synonymous to long-term planning or strategic planning. However, some distinction exists among these at least at the conceptual level. Similarly, some authors use corporate planning as the total process of management. For example, David Hussey has defined corporate planning as follows:

"Corporate planning includes the setting of objectives, organising the work, people, and system to enable these objectives to be attained, motivating through the planning process and through the plans, measuring performance and so controlling progress of the plan and developing people through better decision making, clearer objectives, more involvement, and awareness of progress."

This definition of corporate planning is quite broad and may cover many management functions not necessarily related to planning aspect of management functions. For

example, planning sets future course of action and its implementation is not strictly the planning function. Therefore, the concept of corporate planning should be taken as the total planning activities in the organisation and not the total management functions.

Similarly corporate planning is used as long-range planning because long-range planning emphasises the future orientation of the process. However, there is growing opinion which disfavours the use of long-range planning as synonymous with corporate planning because it underemphasises the comprehensive nature of corporate planning. The process of corporate planning is concerned with all aspects and not only the long range. Although the future orientation is certainly the most important argument in favour of the process, long-range planning without the back-up of short-range planning will fail. Differences between corporate planning and long-range planning can be understood by classifying the more comprehensive corporate planning further into segments. Normally, corporate planning is divided into strategic planning or long-range planning and operational, tactical, or short-range planning.

ii)   Functional Planning: As against corporate planning which is integrative, functional planning is segmental, and it is undertaken for each major function of the organisation like production/operation, marketing, finance, human resource/personnel, etc. At the second level, functional planning is undertaken for sub-functions within each major function. For example, marketing planning is undertaken at the level of marketing department and to put marketing plan in action, planning at subfunctions of marketing like sales, sales promotion, marketing research, etc., is undertaken. A basic feature of functional planning is that it is derived out of corporate planning and, therefore, it should contribute to the latter. This contribution is achieved by integrating and coordinating functional planning with corporate planning.

(B) STRATEGIC AND OPERATIONAL PLANNING

Comprehensive corporate planning may be divided into strategic and operational depending on the direction of actions set in the organisation. One part of the planning sets future direction of the organisation and another part confines itself to devise actions to proceed in that direction. The former is known as strategic planning while latter is known as operational or tactical planing.

(i) **Strategic Planning**: Strategic planning sets the long-term direction of the organisation in which it wants to proceed in future. Anthony has defined strategic planning as: "Strategic planning is the process of deciding on objectives of the organisation, on changes on these objectives, on the resources used to attain these objectives and on the policies that are to govern the acquisition, use and disposition of these resources."

Examples of strategic planning in an organisation may be: planned growth rate in sales, diversification of business into new lines, type of products to be offered, and so on. This way, strategic planning encompasses all the functional areas of business and is affected within the existing and long-term framework of economic, political, technological, and social factors. Strategic planning also involves the analysis of various environmental factors particularly with respect to how organisation relates to its environment.

A basic problem in strategic planning is the period for which plan is to be formulated. Normally more than one year period is considered to be a long one. Usually for most of the organisations, it ranges between 3 and 5 years. However, there should be some logic in selecting the right time range for planning. In general, since planning and forecasting that underlies it are costly, and organisation should not plan for a longer period than is economically justifiable; yet it is risky to plan for a shorter period. The choice of period lies in the 'commitment principle' which suggests that logical planning encompasses a period of time in the future necessary to foresee, as well as possible, the fulfilment of commitments involved in decisions made today. What the commitment principle implies is that long-range planning is not really planning for future decisions but rather planning for the future impact of todays decisions. In other words, a decision is commitment, normally of funds, direction of action or other similar things. Therefore, the most striking application of planning period would be the setting up of time period long enough to anticipate the recovery of costs sunk in a course of action.

(ii)   **Operational Planning**: Operational planning, also known as tactical or short-term planning, usually covers one year or so. It is aimed at sustaining the organisation in its production and distribution of current products or services to the existing markets. Operational planning can be defined as: "Operational planning is the process of deciding

the most effective use of the resources already allocated and to develop a control mechanism to assure effective implementation of the actions so that organisational objectives are achieved."

Operational planning is undertaken out of the strategic planning. The various examples of operational planning may be adjustment of production within given capacity, increasing the efficiency of operating activities through analysing past performance, budgeting future costs, programming the comprehensive and specific details of future short-term operations, and so on.

Difference between Strategic and Operational Planning

Apart from the period of time involved in strategic and operational planning, there are certain differences between the two. The major differences between the two can be identified as follows:

1. Range of Choice. Strategic planning guides the choice among the broad directions in which the organisation seeks to move and concerns the general planned allocation of its managerial, financial, and physical resources over future specified period of time. Operational planning, on the other hand, focuses on the ways and means in which each of the individual functions may be programmed so that progress may be made towards the attainment of organisational objectives. Usually operational planning aims at contributing to strategic planning as the former tries to achieve results and actions suggested by the latter.

2. Type of Environment. The type of environment for two types of planning is diffferent. Strategic planning takes into account the external environment and tries to relate the organisation with it. It usually encompasses all the functional areas of the organisation and is affected within the existing and long-term future characteristics at various environmental factors. The nature of external environment, thus, is of prime concern of strategic planners. Operational planning mostly focuses on internal organisational environment so as to make the effective use of given resources.

3. Primacy. Strategic planning precedes operational planning since the latter is primarily concerned with the implemention of the former. Strategic planning sets ends and direction for managerial actions; its time horizon is usually quite long. Operational planning is heavily concerned with short-term programmes for implementing step by step progress towards basic organisational goals. In the short term, managers have to work within the framework of given resources as the functional suitabilities of the organisation are generally restricted because in the short term, here cannot be fundamental change in these. Therefore, strategic planning must orgnise the limits of what operational planning can realistically be undertaken in time periods.

4. Level of Formulation. Strategic planning is formulated usually by the top level management and other specified planning staff in the organisation. At this level, management can take overall view of the organisation and have necessary capability to relate the organisation with the external environment. Operational planning is usually spread over a wide range within the organisation and is generally performed by operating managers with the help of the subordinate staff. Since two planning steps are widely separated in the organisation, some incompatibility may exist between two types of planning. Therefore, there is a need for integrating these two in order to have better planning effects. If planning is taken as an integrated system, which consists of the problems of conflict between strategic and operational planning may be outcome.

(C) LONG-TERM AND SHORT-TERM PLANNING

Planning is concerned with problems of future. Thus, a planning system must involve different degrees of futurity. Some parts of the organisation have requirements that entail planning for many years into the future, while others require planning for only a short horizon. Capital expenditure, for example, is more subject to long term planning than any other area. Such plans frequently form the basis of other planning. The planning period is divided generally into (i) short term, and (ii) long term. However, the time dimension of planning is not so obvious as it might appear. Many complex factors interact to determine planning period—the industry peculiarities the market demand, the availability of resources, the lead time involved in the product life cycle, etc. Thus, what

143

might be a long period of planning for one organisation, might be a short period for others.

What should be an ideal planning period depends upon commitment principle. Commitment principle implies that long-range planning is not really planning for future decisions, but rather planning the future impact of today's decisions. In other words, decision is a commitment, normally of funds, direction of action, or reputation. Thus, the commitment for different parts of organisation differs. Costs incurred on purchasing a machine may be recouped in ten years and management must foresee the situation for the coming ten years. Similarly, a small manufacturer of spare parts who completes his production cycle consisting of raw material acquisition, production, inventory, sales and collection of money, in six months or so requires a commitment period of six months only and the planning period covers only this period.

(i) Long-term Planning: Long-term planning, is of strategic nature and, involves more than one-year period extending to twenty years or so. However, the more common long-term period is 3 to 5 years. The long-term plans usually encompass all the functional areas of the business and are affected within the existing and long-term framework of economic, social and technological factors. Long-term plans also involve the analysis of environmental factors, particularly with respect to how the organisation relates to its competition and environment. Sometimes, basic changes in organisation structure and activities become the real output of such plans. Examples of such changes may be new product, product diversification, individuals in the organisation, development of new markets, etc.

A distinction between short-range and long-range planning is often made on the basis of the period of time involved. Though there is a clear correlation between these kinds of planning and the length of time horizons, the more important distinction is on the basis of the nature of planning.

(ii) **Short-term Planning:** Short-term planning, also known as operational or tactical planning, usually covers one year. These are aimed at sustaining organisation in its production and distribution of current products or services to the existing

144

markets. These plans directly affect functional groups—production, marketing, finance, etc.

Coordination of Short-term and Long-term Planning. In fact, in a successful planning process, short-term plans are made with reference to long-term plans because short-term plans contribute to long-term plans. As such, there is a need for coordination between these two plans. The managers should consider, while preparing the short-term plans, that they are contributing to the long-term plans. For this purpose, they should scrutinise the former in the light of the latter and subordinates should also be made aware of this fact. Sometimes, the short-term plans do not contribute to long-term plans, but contribute to the organisational objectives. In such a case, the long-term plans need to be modified. This can be done when there is flexibility in planning.

(D) PROACTIVE AND REACTIVE PLANNING

Classification of planning into proactive and reactive is based on the organisations in response to environmental dynamics. We have seen earlier that planning is an open system approach and is affected by environmental factors which keep on changing continuously. However, organisations responses to these changes differ. Based on these responses, planning may be either proactive or reactive.

(**i**) **Proactive Planning**: Proactive planning involves designing suitable courses of action in anticipation of likely changes in the relevant environment. Organisations that use proactive planning use broad planning approaches, broad environmental scanning, decentralised control, and reserve some resources to be utilised for their future use. These organisations do not wait for environment to change but take actions in advance of environmental change. Most of the successful organisations, generally, adopt proactive approach in planning. In India, companies like Reliance Industries, Hindustan Lever, etc., have adopted this approach and their growth rate has been much faster than others.

(ii) Reactive Planning: In reactive planning organisations responses come after the environmental changes have taken place. After the changes take place, these organisations start planning. In such a situation, the organisations lose opportunities to those organisations which adopt proactive approach because, by the time, reactors are ready with their plans, the contextual variables of planning show further changes. Therefore, their plans do not remain valid in the changed situations. This approach of planning is useful in an environment which is fairly stable over a long period of time.

(E) FORMAL AND INFORMAL PLANNING

Classification of planning as formal and informal process is based on the degree of formalisation which is used in undertaking planning activities.

(i) Formal Planning: Formal planning is in the form of well-structured process involving different steps. Generally, large organisations undertake planning in formal way in which they create separate corporate planning cell placed at sufficiently high level in the organisation. Generally, such cells are staffed by people with different backgrounds like engineers, staticians, MBAs, economists, etc., depending on the nature of organisations business. These cells monitor the external environment on continuous basis. When any event in the environment shows some change, the cells go for the detailed study of the impact of the event and suggest suitable measures to take the advantages of the changing environment. The planning process that is adopted is rational, systematic, well-documented, and regular.

(ii) Informal Planning: As against formal planning, informal planning is undertaken, generally, by smaller organisations. The planning process is based on managers' memory of events, intuitions and gut-feelings rather than based on systematic evaluation of environmental happenings. Usually, the corporate planning affairs are not entrusted to any single cell or department but become the part of managers' regular activities. Since the environment for smaller organisations is not complex, they do reasonably well with informal planning process.

(F)   AD-HOC AND STANDING PLANNING

Ad-hoc planning committee may be constituted for certain specific matters, for instance, for project planning. But standing plans are designed to be used over and over again. They include organisational structure, standard procedures, standard methods, etc.

2.8 SIGNIFICANCE AND LIMITATIONS OF PLANNING

(I)   Significance of Planning

A planned action is always better as it makes possible for things to occur which would not otherwise happen. A business which carried on without planning is like a ship without rudder. If things are not planned in advance, decisions are taken haphazardly on hit or miss basis resulting into wastage of human and material resources. An organization without planning operates aimlessly. It has been rightly said that planning today avoids crisis tomorrow.

Planning has assumed great importance in all types of organizations, business or non-business, private or public sector, small or large, in developed countries, or developing countries. The system approach of management suggests interaction can better be maintained through successful and unsuccessful organisations because of planning activities undertaken by these. The organization which thinks much ahead about what it can do in future is likely to succeed as compared to one which fails to do so. For example, Reliance Industries Limited has achieved phenomenal growth within a short period of time because of its ability to plan, to take up new projects. In particular, planning contributes in the following ways:

1.   Primacy of planning. Planning precedes all other managerial functions. Since managerial operations in organizing, staffing, directing, and controlling are designed to support the accomplishment of organisational objectives, planning logically precedes the execution of other managerial functions. Although all the functions intermix in practice as a system of action planning is unique in that it establishes the objectives necessary for all group effort. All other functions are performed to achieve the objectives set by the planning process. This can be presented in Fig 6.4.

2.   Planning avoids haphazard actions. Planning avoid aimless activities. Planning is necessary for avoiding hit or miss actions or random decisions. Without planning there will be confusion and chaos. Everyone in the enterprise is aware of what is to be done for achieving the goals of an enterprise.

3.   To increase organizational effectiveness. Planning ensures organisational effectiveness in several ways. The concept of effectiveness is that the organisation is able to achieve its objectives within the given resources. Thus for effectiveness, it is not only necessary that way which ensures their maximum contribution to organisational objectives. In fact this can be done by taking appropriate planning. Planning states the objectives of the organisations in the context of given resources. Therefore, each resource of the organisation has specific use at a particular time. Thus planning along with control ensures that resources are put in action in a way in which these have been specified. If this is done, organisation will achieve effectiveness.

4.   Planning brings economy in operations. Planning leads to purposeful and orderly activities. The available resources are used to the best of their capacity. All activities are done in minimum possible time. All types of wastages are eliminated in all the departments resulting in the efficient and economical operations of an enterprise. The cost of operation is minimized.

5.   To offset uncertainty and change. There is continuous change in the environment and the organisation has to work in accelerating change. This change is reflected in both tangible and intangible forms. Tangible changes are in the forms of changes in technology, market forces, government regulations, etc. In order to cope up with the requirements of such changes organizations must look ahead for its future course of action which is basically provided by planning process. Planning does not stop changes in the environment but gears the organisation to take suitable actions so that it is successful in achieving its objectives.
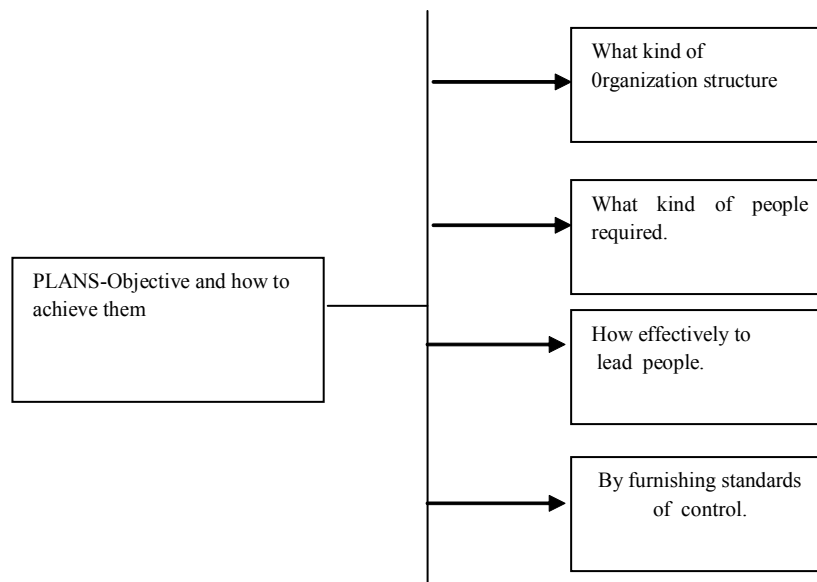
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│ how to achieve them  │    │       ────▶│ How effectively │
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Fig. 2.4 Primacy of Planning

6.   To focus attention on objectives. Planning focuses on organisational objectives and directions of actions for achieving these objectives. Sometimes people in the organisation may not be specific about its objectives because of lack of clarity and precise definitions. For example, often we take profit as the objectives of a business organization. It is too abstract to be pursued. In order to enforce managerial actions, this should be defined more precisely when planning action is taken, these objectives are made more concrete and tangible. The objectives are defined in more meaningful terms so that managerial actions are possible. For example, even if the organizational objective is profit earning, planning activity will specify how much profit is to be earned looking into all facilitating and constraining factors.

7.   To help in control. Control involves the measurement of accomplishment of events against plans and the correction of deviations to assure the achievement of objectives as set by the plans. Thus control exercised the context of planning actions as standards against which actual results are to be compared are set up through planning. At the control stage an attempt is made to monitor the performance on continuous basis so that immediate action is taken if anything goes wrong.

149

8.   To help in coordination. Though all managerial functions lead to the coordination in the organisation, real beginning is made at the level of planning stage. Well considered overall plans unify interdepartmental activities and consequently restrict the area of freedom in the development of purely departmental plans. Thus various departments work in accordance with the overall plan, and harmony achieved. It is true to say that coordination is the essence of management and planning is the basis for it.

9.   Planning provides direction. Planning provides direction and a sense of purpose for the organization. Once the organisation is able to find out what it cannot do over the next one to four years, it can begin setting meaningful objectives. Day-to-day operational thinking gives way to more fruitful long-run designs. It helps in knowing what to do and when to do it. It reduces aimless activity and makes action more purposeful. Planning actually compels managers to think in a future and contingency oriented manner and no wonder many people say that the experience and knowledge gained throughout the development of a plan is more important than the plan itself.

10.   Planning provides a unifying framework. Planning forces people to continually address their efforts to the most important work, rather than the least important. In the absence of a plan, a unifying focus on company objectives may be missing. A plan, tells everyone what the organisation hopes to achieve and what the contributions of each department must be, and how to utilize resources to achieve the goals in the absence, the organization would be pulled in multifarious and apparently competing directions. Well-considered overall plans unify interdepartmental activities because with a clear and effective plan each department knows what it must do to contribute to the objectives of the organisation. Without planning such coordination would be a dream; with planning, it is a reality.'

11.   Planning enhances the behavioural climate.

Planning provides a basis for team work: It provides consistent guidelines to members to contribute positively and achieve overall goals. When goals are properly defined, work assignments can be fixed and everyone can begin to contribute to the achievement of these goals. This produces improvements in morale. Once members

know what is expected of them they can contribute better. They can release forces of creativity, and innovation for better management of the organisation. Further planning permits employees to participate in the "thinking" process. This helps them develop a broad mentality and when the plan is actually translated into action, they feel that it is their own plan. Positive attitudes are developed, there is less friction between departments and there is greater personal commitment to the plan.

12. Planning educates people: Planning orients people. It gives them a sense of direction and the stimulating feeling that their efforts are being put to useful purpose, rather than being wasted. They begin to feel that they are worthy partners in a productive enterprise.

13. Facilitates delegation. Delegation of authority is facilitated by the planning process. Well established plans act as a guide to subordinates and reduce the risk involved in delegation of authority.

(II)   Limitations of Planning

Though planning function is a primary function of management and it facilitates other functions of management, it suffers from certain limitations.

1.   Inflexibility

The more detailed and widespread the plans are the greater inflexibility they are. This inflexibility arises an account of the philosophy of management. If the management has the philosophy of production of high quality goods at high cost, it may be difficult for them to plan for a cheaper quality product.

2.   Limitation of forecasts

Planning is fully based on forecasts. If there is any defect in forecasts, the planning will lose its value.

3.   Unsuitability

In planning, objectives, policies, procedures etc. are set after careful investigation of all the relevant factors. But in practice, business is facing new opportunities and challenges by nature. So, there is a need for modernisation of alteration of such

151

framedobjectives **and** policies in the light of new opportunities and challenges. Hence, planning is unsuitable.

4. Time consuming

The management cannot prepare any plan simply. It has to collect various information and hold discussions with others. So, planning is a time-consuming process.

5. Costly

Planning is preceded with collection of necessary information, careful analysis and interpretation of various courses of action, selection of the best one among them. This work cannot be completed without incurring any expenses. At the same time, there is no guarantee of getting any benefits from such planning. So, planning process is a costly one.

6. Mental ability

Planning is a mental exercise. The most careful planning is made only by an able and skilful manager. If the executives or managers do not have such ability, there will be no effective planning. According to George A.Steiner, "Planning is hard work. It requires a high level of imagination, analytical ability, creativity and fortitude to choose and become committed. Management must exert pressure to demand the best efforts in managers and the staff. Both the talents required are limited and the maintenance of high quality planning is difficult to achieve.

7. False sense of security

Future is uncertainty. Planning is concerned with future. The management people think that there is security, if planning is properly adhered to. But, this is not true in practice. So, the course of action is limited and planning becomes precise. This difficulty makes the management have a false sense of security.

8. Delay during emergency period

Planning does not give any benefits to an organisation during the emergency period. Spot decision dominates the planning. If planning is followed during the

emergency period, there will be a possibility of delay in performing the work.

9. Capital investment

If sizeable amounts are invested in fixed assets, the ability to change future course of action will be limited and planning will become precise. This difficulty continues upto the liquidation of investment or it creates a necessity to write off the investment.

10. Political climate

Government can change its attitudes according to the changes of the political climate. Taxation policy, regulation of business and finances through financial institutions are generating constraints of the organisational planning process.

11. Trade unions

The freedom of planning is restricted through the organisation of trade unions ai the national level. Trade unions can interfere in the management activities on work rule, fixation of wages, productivity and associated benefits. Hence, managers are not free to take decisions in this area to some extent.

12. Technological changes

When there is a change in the technology, the management has to face number of problems. The problems may be high cost of production, competition in the market, etc. The management is not in a position to change its policies according to technology changes. It will affect the planning.

2.9 MEANING OF ORGANISATION

The term organisation is used in many ways and in each way, the users use it in a specific reference. For example, **Lyndall Urwick** has observed that :

"In English-speaking countries, and particularly in the USA, the term organisation has two popular meanings or usages and these are incompatible. First, there is the meaning or usage in which the term was employed by the so-called classicists of management. There is a second usage of the term organisation which is very general particularly in

153

the USA, but also in Great Britain. This is synonymous for the corporation or undertaking, the human group regarded as a whole. Thus, these usages of the same term are incompatible is obvious."

It may be mentioned here that the classicists have used the term organisation in the form of organising which is a part of management process. Presently, the term organisation is used in the following ways with or without prefix or suffix:

- as entity,

- as group of people,

- as structure, and

- as process.

1. Organisation as Entity

Most frequent use of the term organisation is as an entity and it is referred to as an enterprise as a whole, like company, corporation, partnership firm, etc. In this form, organisation is defined as collectivity of people for achieving common objectives. William Scott has defined organisation as follows:

"Organisation are collectivities of people that have been established for the pursuit of relatively specific objectives on a more or less on continuous basis."

When the organisation is defined in this form, it has the following features :

   i.   **Identifiable aggregation of human beings.** Organisation is an identifiable aggregation of human beings. The identification is possible because human group is not merely a number of persons collected at random, but it is a group of persons who are interrelated. Identifiable aggregation does not mean that all the individuals know each other personally because, in large organisations, this is not possible. The identifiable group of human beings determines the boundary of the organisation. Such boundary separates the elements belonging to the organisation from other elements in its environment. However, the separation is rarely absolute, that is, some of the elements in the organisation will interact with its environment. The amount of interaction

154

can be thought of in terms of permeability of the organisation's boundary. This refers to the flow of both people and information across the boundary.

ii. Deliberate and conscious creation. Organisation is a deliberately and consciously created human group. It implies that relationship between organisation and its members is contractual. They enter in the organisation through the contract and can be replaced also, that is, unsatisfactory persons can be removed and others assigned their tasks. The organisation can also recombine its personnel through promotion, demotion, and transfer. As such, organisations can continue for much longer period than their members. Such deliberate and conscious creation of human groups differentiates between casual or focused gathering having transitory relationships like a mob and social units. Some minimal amount of such construction and reconstruction is found in all social units, but it is much higher in the case of organisations. Such distinction is only relative but it is an important one. Other social units, like family, community have some conscious planning (family budget, etc.), power centre (community chief), and replaceable membership (through divorce), but the extent to which these social units are consciously planned and deliberately structured with replaceable membership are much less as compared to organisations. Thus, companies, armies, hospitals, etc., are included in the category of organisation, while tribes, families, friendship groups, etc., are excluded.

iii. Purposive creation. The organisation is a purposive creation, that is, all the organisations have some objectives or set of objectives. The objectives are mutually agreed upon by the members of the group. An organisational objective is a desired state of affairs which the organisation attempts to realise. Organisations are contrived social instruments through which society, or portion of it, obtains things that either could not be obtained at all or could not be had as easily or cheaply. Organisations are, thus, intervening elements between needs and their satisfaction. The success or failure of an organisation is measured in terms of achievement of its objectives.

iv. Coordination of activities. In the organisation, there is a coordination of closely relevant activities of the members. The coordination is necessary because all the members contribute to commonly agreed goals. The object of coordination is activities, not individuals, as only some of the activities of individuals are relevant

155

to the achievement of a particular objective. This is so because the same person can belong to many different organisations at the same time and in each one, only some of his activities are relevant. From this point of view, the organisation must spell out the activities or roles which must be fulfilled in order to achieve the goal. Which particular person performs this role may be irrelevant to the concept of organisation, though it will be relevant how well the organisation actually operates.

v. **Structure.** The coordination of human activities requires a structure wherein various individuals are fitted. The structure provides power centres which coordinate and control concerted efforts of the organisation and direct them towards its goals. It is obvious that coordination among many diverse individuals is not possible without some means of controlling, guiding and timing the various individuals or groups. The very idea of coordination implies that each individual or unit submits to some kind of authority for the sake of achievement of common objective. Since the individuals are structured in the hierarchy, there is also hierarchy of authority, and depending upon the size and nature of a particular organisation, there many be many centres of authority in the organisation. This does not mean that authority is always external; coordination can be achieved by self-disciplining activities, but some kind of authority is essential for coordination in organisation. This may vary between complete self-discipline and complete autocracy.

vi. **Rationality.** There is a rationality in coordination of activities or behaviour. Every organisation has some specified norms and standards of behaviour; such norms of behaviour are set up collectively by the individuals and every member of the organisation is expected to behave according to these norms or standards. The behaviour is governed by reward and penalty system of the organisation which acts as a binding force on its members. The desirable behaviour is rewarded and undesirable one is penalised. To enforce rationality in behaviour, organisation also provides way for substitution of its members.

These characteristics differentiate an organisation from other social units, such as, community, family, clan, friendship group, etc. However, modern organisations, though not all, tend to be large and complex. Such characteristics are important from the point of view of their management. In a large organisation, the members are arranged in a

156

number of hierarchies which present some specific problems besides the usual ones associated with every organisation, large or small. Such problems may be in the form of increased distance between decision centres and actual operative levels. This feature makes the coordination more difficult.

2. Organisation as Group of People

When organisation is defined as a group of people, it may be defined either as an entity as discussed earlier or any part of it. For example, when we refer to informal organisation, we refer to various groups of people in an organisation who create these groups on their own to satisfy their social needs. When organisation is referred to as a group of people, it is mostly referred to as different groups created either formally or informally. In this form, an organisation has the following features:

- An organisation always refers to people.

- The organisation is composed of people who interact among themselves.

- The interactions are specified by some sort of structure, that is, who will interact with whom.

- The interactions are meant to achieve some sort of objectives.

3. Organisation as Process

Classical theorists have used the term organisation in the form of process of organising through which organisation structure is created. Because of the use of the term organisation as a process, more confusion has been created in management literature. In the present context, the term organisation is mostly referred to as entity. Whenever it is used as a process, it is termed as organising rather as organisation. In this part of the text, we shall call it organising through which organisation structure is designed. Organising, being a process, consists of the following elements:

i. **Departmentation.** The first basic element in organising is the departmentation, that is, creating various departments, divisions, and sections in order to perform various organisational activities. For creating departments, it is necessary to identify those activities whose performance

157

would led to the achievement of organisational objective. While identifying such activities and grouping them into departments, it must be ensured that (1) all the necessary activities are performed, (2) there is no duplication in performing various necessary activities, and (3) activities are performed in a sychronised and coordinated way. Another issue that emerges because of grouping of activities and assigning these to individuals is the determination of span of management, that is, how many individuals should be put under the direct supervision of a superior manager.

ii. **Linking departments.** After creating different departments (these may be called divisions, sections, etc. besides departments as all these emerge from grouping of activities), the next issue comes before the management is to decide how various departments of the organisation will be linked together so that they operate in a coordinated manner. The way these departments are linked together gives shape to overall organisation structure. Since there are different ways in which activities are grouped and linked, there are different forms of organisation structure.

iii. **Defining authority and responsibility.** When a particular activity or group of activities is assigned to an individual, he becomes responsible for the performance of those activities. He can discharge this responsibility properly only when he has corresponding authority. Therefore, he needs authority which comes to him through the process of delegation.

iv. **Precribing authority relationships.** Since every individual who functions in the capacity of a superior has some authority, there is need for prescribing authority relationships among different individuals and departments in which they functions. Such authority relationships may be in different forms because a particular activity of the organisation is related to other activities in different forms.

Various elements of organising do not show similar patterns in all organisations because two organisations may not be similar. Further, a particular organisation does not remain the same over the period of time. Therefore, a particular structure is not suitable for all organisations or for the same organisation over the period of time. Thus, there is

158

need for desigining structure according to the requirements of an organisation. In order to meet these requirements, either managers may go though the process of experimentation, that is trial and error which is a costly affair or base their decisions on the previously developed theoretical framework. Organisation theory provides some insights about designing organisation structure by providing theoretical framework.

4. Organisation as Structure

Organisation is also referred in the context of structure which defines the relationships among individuals and positions that they hold. There may be different ways in which these relationships are prescribed. Structure tends to be somewhat permanent with a provision of incorporating changes whenever required. However, the use of the term structure to denote organisation is not used independently but is combined with the term organisation either in the form of organisation structure or structure of organisation.

Organisation structure is a basic framework within which the manager's decision-making behaviour takes place. Structure basically deals with relationships. It is an important scientific concept. All sciences try to discover the structural relationships in the phenomena in which they are interested. For example, biologist wants to know the structure of cells; the astronomer wants to know the structure of the universe; the physicist studies the structure of the atom or molecule; the economist seeks to discover the structure of a labour market or of money-flow patterns. Similarly, in management, we need to understand how organisations are structured and how these structures are created and maintained.

In a simple term, structure is the pattern in which various parts or components are interrelated or interconnected. Thus, organisation structure is the pattern of relationships among various components or parts of the organisation. This prescribes the relationships among various activities and positions. Since these positions are held by various persons, the structure is the relationships among people in the organisation.

The organisation structure, being abstract, is not visible in the same way as a biological or mechanical structure, though it can be inferred from the actual operations and

159

behaviour of the organisation. The biological or mechanical system, such as organism and machine, can be identified even when it is not working because it has both anatomy and physiology. The study of the anatomy is basically the study of the structure of the organism whereas the physiology deals with functions of living organism. The biological and mechanical systems can be studied in both these terms—structure as well as functioning. However, this is not the case with social systems which do not have both anatomy and physiology. As such, it is very difficult to study the organisation structure separately from its functioning. For example, **Katz and Kahn** observe as follows in this context:

"A social system is a structuring of events or happenings rather than of physiological parts and it, therefore, has no structure apart from its functioning."

The problem of identifying structure from organisational processes does not mean that there is no difference between the two. There is a basic difference between the two and this distinction if important in understanding the concept and design of organisation structure. The structure of a system is the arrangement of its subsystems and components at a given moment of time. Process is a dynamic change in the matter, energy, or information of the system over time. Thus, the concept of structure true and process can be viewed as the static and dynamic features and both of these aspects are related rather than opposite. The organisation structure can be viewed as established pattern of relationships among the components of the organisation. In large and complex organisations, structure is set forth initially by the design of the major components or subsystems and then by establishing relationships among these subsystems. It is the patterning of the relationships with some degree of permanency which is referred to as organisation structure.

Design of basic structure involves such issues as how the work of the organisation will be divided and assigned among various positions, groups, divisions, departments, etc. and how the coordination necessary to accomplish total organisational objectives will be achieved. For example, **Dalton** have defined organisation structure as follows;

"Organisation structure refers to the differentiation and integration of activities and authority, role and relationships in the organisation. Differentiation is the differences in

160

cognitive and emotional orientations among managers in different functional departments, and differences in formal structure among these departments. Integration refers to the quality of the state of collaboration that is required to achieve unity of effort by the organisaion".

Besides the formally established organisation structure, people create relationships independent of the formal relationships known as informal relationships or organisation. Thus, organisation structure, truly speaking, is the totality of both formal and informal relationships. Operating mechanism or organisational process, on the other hand, includes such factors as control procedures, information systems, reward and punishment systems, rules and procedures and so on. These structural variables, both basic structure and operating meachanism, can be used to identify what is required of organisational members to achieve objectives, and encourage them to take collective activities.

In designing organisation structure, managers prescribe only formal aspect which is expected to be followed. However, in actual practice, the total pattern of interactions is not governed by formally prescribed structure but some of the interactions are emergent which are known as informal organisation. Thus, in an organisation, we may have example of informal authority, informal leader, informal communication, and so on. Since these are not prescribed by the managers but are important for organisational functioning, understanding of the difference between formal and informal organisation and how it affects formal organisation is necessary.

2.10 CHARACTERISTICS / FEATURES OF ORGANISATION

Organisation is the foundation upon which the whole structure of management is built. Organisation is related with developing a frame work where the total work is divided into manageable components in order to facilitate the achievement of objectives or goals. Thus, organisation is the structure or mechanism (machinery) that enables living things to work together. In a static sense, an organisation is a structure or machinery manned by group of individuals who are working together towards a common goal. Alike 'management', the term 'organisation' has also been used in a number of ways. Broadly speaking, the term 'organisation' is used in four different senses: as a process, as a structure

of relationship, as a group of persons and as a system. The main characteristics or features of organisation are as follows:

1. **Outlining the objectives**: Born with the enterprise are its long-life objectives of profitable manufacturing and selling its products. Other objectives must be established by the administration from time to time to aid and support this main objective.

2. **Identifying and enumerating the activities**: After the objective is selected, the management has to identify total task involved and its break-up closely related component activities that are to be performed by and individual or division or a department.

3. **Assigning the duties**: When activities have been grouped according to similarities and common purposes, they should be organized by a particular department. Within the department, the functional duties should be allotted to particular individuals.

4. **Defining and granting the authority**: The authority and responsibility should be well defined and should correspond to each other. A close relationship between authority and responsibility should be established.

5. **Creating authority relationship**: After assigning the duties and delegations of authority, the establishment of relationship is done. It involves deciding who will act under whom, who will be his subordinates, what will be his span of control and what will be his status in the organisation. Besides these formal relationships, some informal organisations should also be developed.

2.11 IMPORTANCE OF ORGANISATION

Organisation creates the relationship between top level executives and lower level staff members. The top level executives perform the functions, like planning, organising, staffing, directing, controlling the lower level people. The actual work is completed at lower level of the organisation. In this way, the organisation maintains the relationship with each other in an enterprise.

1. Facilitate administration

Administration aims at earning the highest profit by utilising the available resources properly. There is a planning, policy making, direction and co-ordination in the administration level to achieve the objectives. Besides, the administration classifies the activities of the business department-wise and appoints the officers, assistants, supervisors, executives to facilitate the achievement of objectives.

There should be an effective administration to achieve the objectives of the business. Duplication of work, wrong planning, inefficient personal, lack of motivation, improper allocation of duties and responsibilities, absence of co-ordination, communication gap, improper instructions are the ingredients of ineffective administration. This ineffective administration can be removed by having a sound organisation. **Allen** observes that *"A properly designed and balanced organisation facilitates both management and operation of the enterprise. Inadequate organisation may not only discourage but also actually preclude effective administration"*.

2. Increases the efficiency of management

Under good organisation, there is a chance of exhausting the worker's ability in full and utilisation of resources effectively. Confusion, delay and duplication of work are avoided in good organisation. It automatically motivates the employees who are working in an organisation and increases the efficiency of management.

3. Facilitates growth and diversification

The structure of the company depends upon the structure of the organisation. The structure of the company can be changed whenever the growth and expansion activities are carried out. The growth of business means an increase in the scale of operation and diversification means starting of production of a new type of products. Changes in the organisation may result in the appointment of additional staff members, de-centralisation of authority and responsibility, raising of additional capital, identification of the consumer's satisfaction and preferences, expansion of sales promotion activities and the like.

4. Ensures optimum utilisation of material resources and human efforts

Division of work and specialisation are the tools used to achieve the objective of optimum utilisation of material, resources and human efforts. Right man, right time and the right job can also be applied to them. Good organisation increases the efforts of the employees and the working facilities.

5. Adoption of new technology

The effectiveness of an enterprise is measured by the reaction of staff members to the adopting of a new technology. In the scientific world, there is a lot of innovations and inventions identified in the area of production, distribution and personnel management. If the new technology is adopted by the enterprise, the maximum benefits can be obtained in any field or activity. A flexible organisational structure is needed to adopt a new technology.

6. Places proportionate importance to the various activities of the enterprise

Organisation classifies the entire business activities into departments. Each department is receiving attention according to its importance it has in the achievement of business objectives. Money and efforts are spent in proportion to the contribution made by each and every department. It does not mean that less important department activities are neglected. It means that due importance is given to each department according to its contribution towards the achievement of the objectives.

7. Encourages creativity and initiative

A sound organisational structure will give an opportunity for the staff to show their hidden talents which will help the enterprise to achieve the business goals and earn higher profits. Clear distribution of authority and responsibility, incentives offered - for specialised work and freedom given to personal work, increases the spirit of constructive and creative approach in management.

8. Facilitates co-ordination

The activities of different departments are grouped together to achieve the business objectives. Each department performs its own function in a closely related manner and not as competitors.

164

9. Facilitates training and development of managerial personnel

A sound organisational provides training to new staff members before placement and give refresher training to the existing staff members to improve their efficiency. The training may be given within the company or outside the company according to the training facilitates available. Now-a-days training institutes give training to the needy persons with the help of the different experts from various fields. These training institutes are collecting data directly from the field used in the training.

10. Prevents the growth of secret, influence and corruption

Sound organisation develops the morale, honesty, devotion to duty and loyalty of business organisations. Normally, these help remove corruption, secret and influence. Only an unsound organisation develops secret, influence and corruption.

2.12 PRINCIPLES OF ORGANIZING

Effective and efficient working of any organisation depends on how the managerial function of organisation is being performed. The functions of organising can be carried effectively with the help of under mentioned principles:

(i) **Division of work:** While structuring organisation, division of work, at the very outset, should be considered as the basis of efficiency. It is an established fact that group of individuals can secure better results by having division of work. Therefore, while designing the organization we should aim at making suitable grouping of activities. This is also called the principle of specialization.

(ii) **Attention to objectives:** An organisation is a mechanism to accomplish certain goals or objectives. The objectives of an organisation play an important role in determining the types of structure which should be developed. Clearly defined objectives facilitate grouping of activities. Delegation of authority and consequently effective co-ordination.

(iii) **Span of management:** Span of management also refers to span of control signifying the number of subordinates reporting directly to any senior executive. This principle was developed by Col Urwick. 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

165

co-ordinate them effectively. This important principle of management should be kept in mind.

(iv) **Unity of Command:** Organisation structure should also be designed in such a way that there exists unity of command in the sense that a single leader is the ultimate source of authority. This facilitates consistency in directing, co-coordinating and controlling to achieve the end objectives.

(v) **Flexibility:** While designing the organisation it should be kept in mind that such organisation structure should be regarded as static. Every organisation is a living entity in a living environment which is fast changing. As such there must be sufficient room for changing and modifying the structure in the light of environmental changes so that ultimate objective of the organisation is achieved.

(vi) **Proper balance:** It is important to keep various segments or departments of an organisation in balance. The problem of balance basically arises when an activity or a department is further divided and sub divided into smaller segments. The problems of balancing also crops up with the growing of any organisation in its size and functioning.

(vii) **Management by exception:** It is a fundamental principle that makes any organisation effective in its true sense. This principle signifies that problems of unusual nature only should be referred upward and decided by higher level executives in the managerial hierarchy, whereas the routine problems should be passed on to lower levels and resolved there. Application of this principle as such, certainly requires adhering to the principles of delegation of authority. The principle of execution is thus of significant practical utility and applies to all levels in the organisation structure.

(viii) **Decentralization:** This principle is of great significance to big organisations. Decentralisation implies selective dispersal of authority to help departments and units to run effectively and efficiently without frequent interruptions from the top of the enterprise. It requires very careful selection of what decisions to push down into the organisation, or what to hold at or near the top specific policy making to guide the decision-making, selection and training of people and adequate control. Decentralization, as such, embraces all areas of management and evidently is of overwhelming significance in organisation structure.

166

(ix)   Departmentation: Departmentation is the process of grouping activities into units for purpose of administration.

In other words, it denotes grouping of related jobs and activities without violating the principle of homogeneity over which an executive has authority to exercise and assert. The main advantage of departmentation is that it enables individual's executive to manage his subordinates effectively since a manageable number of persons are brought under the direct supervision of individual executive.

(x)   Efficiency: The organisation should be able to attain the predetermined objectives at the minimum cost. If it is done so, it will satisfy the test of efficiency. From the point of view of an individual, a good organization should provide the maximum work satisfaction. Similarly, from the social point of view, an organisation will be efficient when it contributes the maximum towards the welfare of the society.

(xi)   Scalar principles: Scalar chain refers to the vertical placement of superiors starting from the chief executive at the top through the middle level and to the supervisory level at the bottom. Proper scalar chain or line of command is pre-requisite for effective organisation.

(xii)   Unity of direction: This means that each group of activities having the same objectives should have one plan and one head. There should be one plan or programme for each segment of work which is to be carried under the control and supervision of one head or superior. If different plans or policies are followed in one department by the subordinates, confusion is bound to occur.

(xiii)   Continuity: The forms of organisation structure should be such which is able to serve the enterprise to attain its objectives for a long period time.

(xiv)   Co-ordination: The principle of co-ordination underlines that there should be proper liaison and co-operation between different departments and units of work. Unity of efforts for the accomplishment of desired objectives is the main aim of organisation. This can be achieved through the principles of co-ordination. **Money and Reiley** rightly pointed out the final objective of all organisations is smooth and effective co-ordination.

(xv)   Authority and responsibility: Authority should commensurate with responsibility. While assigning the responsibility, authority should also be assigned. If authority is not granted the subordinates cannot discharge their responsibility properly.

2.13 SOUND OR GOOD ORGANISATION

Organisation is not an end it itself but a means to achieve an end. Whether an organisation is good or bad depends on the fact as to how much efficiently and promptly it is in a position to achieve the objectives. An ideal organisation is one which is expected by all. Some people think that an ideal organisation stands in a dream only and actually it does not exist. However, it is a wrong concept. An ideal organisation is a reality which can be achieved through the active cooperation of all the members of an organisation and also by following the principles of organisation is not an exact science as physics and chemistry. though a sound organisation is mainly based on the active cooperation of all the members of the organisation and on certain principles but also it is based on the capabilities of the individuals available to work along with its simplicity and flexibility. An organisation conceived and developed on the above lines will reward its leaders and well as its members (Personnel). Not only will the objectives be achieved more easily, and conveniently, but the physical operation of the organisation will also be greatly enhanced. Thus, a sound or good or ideal and result-oriented organisation must posses the following characteristics.

1. **Realization of Objectives:** Organisation is tool of achieving objectives of an enterprise. For this purpose, the organisation should be divided in several department, sub-departments, branches and units etc.

2. **Harmonious Grouping of Functions etc:** For achieving the organisation objectives there must be harmonious grouping of functions, jobs and sub-jobs in such a way so that there is action, consultation and co-ordination without any delay and difficulty.

3. **Reasonable Span of Control:** Another characteristic of organisation is that it should have reasonable span of control. Ordinarily, a person (personnel) cannot control more than five or six subordinates.

4. **Clear-cut allocation of Duties and Responsibilities:** There must be clear-cut allocation of duties and responsibilities in any scheme of sound organisation. Every executive must know his scope of activities, the ideal number is three.

5. **Promotion of Satisfaction**: The most important element of any human organisation is the promotion of satisfaction of workers. Man works in a group or in an organisation and hence the success or failure of any organisation depends on as to how much the organisation is in a position to provide satisfaction to individuals or group working under him.

6. **Fullest Utilization of Manpower:** Another important characteristic of an ideal organisation is as to how far it is successful in making fullest and economical utilization of the available manpower.

7. **Provision and Development and Expansion**: Another important of an ideal organisation is that there exists the necessary provision for development and expansion so that it is possible to expand and develop any organisation according to needs and requirements and necessary changes an alternatives may be made.

8. **Coordination and cooperation**: In order to achieve the objectives of the enterprise, there must be close coordination and cooperation in the activities of everybody working in the organisation. Further, there should also be active coordination and cooperation amongst the various departments an sub-departments. It will also assist in elimination the evil of red tapism.

9. **Unity of Command**: There must be unity of command. No one in any organisation should report to more than one line supervisor, and everybody must know to whom he reports and who reports to him. No subordinate should get orders from more than one supervisor, otherwise it will lead to confusion, chaos and conflict.

10. **Effective System of Communication**: An ideal organisation must possess effective system of communication. The inter-communication system should be clear and easier and there should be no ambiguity at any level.

11. **High Morale:** An ideal organisation is that in which the workers possess high morale. They work with full capacity, energy, enthusiasm, devotion and sincerity.

12. **Flexibility:** The last but not the least important characteristic of an ideal organisation is that it should be flexible so that necessary changes and modifications in the the size of the organisation as well as technology could be easily and conveniently effected.

2.14 THEORIES OF ORGANISATION

Organisation theory means the study of the structure, functioning and performance of organisation and the behaviour of individual and groups within it.

The various theories of organisation are given below:

1.   Classical theory.

2.   Neo-classical theory.

3.   Modern theory.

4.   Motivation theory.

5.   Decision theory.

The explanation of the above theories is given below.

1. CLASSICAL THEORY

The classical -theory mainly deals with each and every part of a formal organisation. The classical theory was found by the father of scientific management, Frederick W.Taylor. Next, a systematic approach to the organisation was made by Monney and Reicey.

The classical theory is based on the following four principles:

A.   Division of labour;

B.   Scalar and functional processes;

C.   Structure; and

D.   Span of control.

A.   Division of labour

This theory fully depends upon the principle of division of labour. Under the division of labour, the production of a commodity is divided into the maximum number of different divisions. The work of each division is looked after by different persons. Each person is specialised in a particular work. In other words, the work is assigned to a person according to his specialisation and the interest he has in the work . The division of labour results in the maximum production or output with minimum expenses incurred and minimum capital employed.

B.   Scalar and functional processes

The scalar process deals with the growth of organisation vertically. The functional process deals with the growth of organisation horizontally. The scalar principles refer to the existence of relationship between superior and subordinate. In this way, the superior gives instructions or orders to the subordinates (various levels of management) and gets back the information from the subordinate regarding the operations carried down at different levels or stages. This information is used for the purpose of taking decision or remedial action to achieve the main objectives of the business.

The Scalar chain means the success of domination by the superior on the subordinate from the top to the bottom of organisation. The line of authority is based on the principle of unity of command which means that each subordinate does work under one superior only.

C. Structure

The organisational structure may be defined as the prescribed patterns of work related behaviour of workers which result in the accomplishment of organisational objectives. The organisational structure is used as a tool for creating a relationship among the various functions which make up the organisation.

Specialisation and co-ordination are the main issues in the design of an organisational structure. The term specialisation includes the division of labour and the usage of special

171

machines, tools and equipments. Specialisation is obtained when a person is requested to do a single work and it results in the increase in productivity. The facilities"" or advantages of suitable training, easy allocation of work, job scheduling and effective control are also obtained from specialisation.

Co-ordination means an orderly performance in operations to achieve organisational objectives. Normally, the business units are organised on a functional basis. The functions are performed by different persons of different nature. It is also necessary to coordinate the various functions to achieve the main objectives and at the same time a function does not conflict with any other function.

D. Span of control

Span of control means an effective supervision of maximum number of persons by a supervisor. According to Brech, "Span refers to the number of persons, themselves carrying managerial and supervisory responsibilities, for whom the senior manager retains his over-embracing responsibility of direction and planning, co¬ordination, motivation and control."

From the above discussion, we can know that the classical theory emphasised unity of command and principle of co-ordination. Most of the managers' time is wasted in the co-ordination and control of the subordinates. In many organisations, a single supervisor supervises the work of 15-20 workers and does not follow the principle of span of control. Some of the experts hold that a manager can supervise 4-8 members at higher levels and between 8-20 members at the lower levels of the organisation. But according to **Lyndall Urwick**, a maximum of 4 members at higher levels and between 8-12 members at lower levels can be supervised by the superior to constitute an ideal span of control.

<u>Characteristics of classical theory</u>

1. It is based on division of labour.

2. It is based on objectives and tasks of organisation.

3. It is concerned with formal organisation.

4. It believes in human behaviour of the employees.

5. It is based on co-ordination of efforts.

6. Division of labour has to be balanced by unity of command.

7. It fixes a responsibility and accountability for work completion.

8. It is centralised.

Criticism of classical theory

1. This theory is based on authoritarian approach.

2. It does not care about the human element in an organisation.

3. It does not give two way communications.

4. It underestimates the influence of outside factors on individual behaviour.

5. This theory neglected the importance of informal groups.

6. The individual is getting importance at the expense of the group.

7. It also ignores the influence of outside factors on individual behaviour.

8. The generalisations of the classical theories have not been tested by strict scientific methods.

9. The motivational assumptions underlying the theories are incomplete and consequently inaccurate

2. NEO-CLASSICAL THEORY

This theory is developed to fill up the gaps and deficiencies in the classical theory. It is concerned with human relations movement. In this way, the study of organisation is based on human behaviour such as how people behave and why they do so in a particular situation. The neo-classical scholars used classical theory as the basis for their study and modified some of the principles for the study. The neo-classicals have only given new insights rather than new techniques."

The scholars also pointed out the practical difficulties of the working of scalar and functional processes. The main contribution of this theory highlights the importance of the committee management and better communication. Besides, this theory emphasised that the workers should be encouraged and motivated to evince active participation in the production process. The feelings and sentiments of the workers should be taken into account and respected before any change is introduced in the organisation.

The classical theory was production-oriented while neoclassical theory was people-oriented.

Contributions of Neo-Classical Theory

1. Person should be "the basis of an organisation.

2. Organisation should be viewed as a total unity.

3. Individual goals and organisation goals should be integrated.

4. Communication should be moved from bottom to top and from top to bottom.

5. People should be allowed to participate in fixing work standards and decision-making.

6. The employee should be given more power, responsibility, authority and control.

7. Members usually belong to formal and informal groups and interact with others within each group or sub-group.

8. The management should recognise the existence of informal organisation.

9. The members of sub-groups are attached with common objectives.

<u>**Criticism of neo-classical theory**</u>

A survey conducted by American Management Association (AMA) indicates that most of the companies reported found little or nothing useful in behavioural theory. According to Ernest Dale, "neither classical theory nor neo-classical theory provides clear guidelines for the actual structuring of jobs and provision for co-ordination."

3. MODERN THEORY

The other name of Modern Theory is Modern Organisation Theory. According to one authority, it was organised in the early 1950s. This theory composed of the ideas of different approaches to management development. The approach is fully based on empirical research data and has an integrating nature. The approach reflects the formal and informal structures of the organisation and due weightage is given to the status and roles of peronnel in an organisation.

Like the general system theory, modern organisation theory studies:

1. The parts (individual) in aggregates and the movement of individuals and out of the system.

2. The interaction of individual with the environment found in the system.

3. The interaction among individual in the system.

Essentials of modern theory

The followings are the some of the essentials of Modern Theory:

1. It views the organisations as a whole.

2. It is based on systems analysis.

3. The findings of this theory are based on empirical research.

4. It is integrating in nature.

5. It gives importance to inter-disciplinary approach to organisational analysis.

6. It concentrates on both quantitatives and behavioural sciences.

7. It is not a unified body of knowledge.

Criticism of modern theory

The Modern Theory has the following criticisms:

1. This theory puts old wine into a new pot.

2. It does not represent a unified body of knowledge. There is nothing new in this theory bacause it is based on past empirical studies.

3. This theory forms only the questions and not the answers.

4. It is based on behavioural, social and mathematical theories. These are management theories in themselves.

4. MOTIVATION THEORY

It is concerned with the study or work motivation of employees of the organisation. The works are performed effectively if proper motivation is given to the employees. The motivation may be in monetary and non-monetary terms. The inner talents of any person can be identified after giving adequate motivation to employees. Maslow's hierarchy of needs theory and Honberg's two factor theory are some of the examples of motivation theory.

5. DECISION THEORY

The other name of decision theory is decision making theory. This theory was given by Herbert. A. Simon. He was awarded Nobel Prize in the year of 1978 for this theory. He regarded organisation as a structure of decision makers. The decisions were taken at all levels of the organisation and important decisions (policy decisions) are taken at the higher levels of organisation. Simon suggested that the organisational structure be designed through an examination of the points at which decisions must be made and the persons from whom information is required if decisions should be satisfactory.

2.15 STEPS IN THE PROCESS OF ORGANISATION

Organisation means identifying, arranging and integrating different elements of organisation into efficient working order. It requires the management to follow the following process of organisation, which is discussed in detailas under:

1. Division of work

The main function is divided into sub-functions and entrusted to the different departmental heads. The result is the establishment of departments like Purchase, Sales, Production, Accounts, Publicity and Public relations. The departments can be further classified just as production department into (1) Planning (2) Designing, (3) Operations, (4) Production Control and (5) Repairs and Maintenance. The division of the work is based upon the fact that specialization is keynote of efficient organisation.

2. Grouping of Job and Departmentation

The second step is to group similar or related jobs into larger units, called departments, divisions or sections. Grouping process is called departmentation.

The department may be based upon functions such as manufacturing, marketing and financing etc. Department may also be based on products, such as textiles, cosmetic, stationery etc. These departments may have different sections as per requirement.

Grouping jobs or Departmentation aims at achieving coordination and facilitates unity of efforts. The departments are linked together on the basis of interdependence. The divided task is assigned to specific individual or group of individuals who are supposed to be the most qualified and specialized persons for the task.

3. Assigning duties

The work to be performed by every individual is clearly defined and made known to him. Every one must know, what he is required to do in order to avoid any misunderstanding, duplication or overlapping in the work.

4. Granting authorities and fixing responsibilities

Assigning of duties to individuals must coincide with the appropriate and relevant authorities. Every employee must know, what the authorities granted to him and for what and to whom he will be responsible, liable and accountable.

5. Delegation of authority

Those who are made responsible for specific tasks are given due authority. Both responsibility and authority go hand in hand together. Reasonable powers are delegated to heads and supervisory staff to enable them to do their work with ease and efficiency.

6. Effective communication

Effective communication is the keynote of efficient organisation. There should be proper arrangement of communication messages from executives to subordinates and vice-versa. Proper communication system establishes harmonious relationship between employees and enables execution of work in the right manner at the appropriate time and in an atmosphere of perfect mutual adjustment.

7. Co-ordination of activities for common objectives

Business activity is a team work or the group activity, so the efforts of every employee must be co-ordinate effectively to achieve the common objectives of the enterprise.

2.16 FORMS OF ORGANISATION
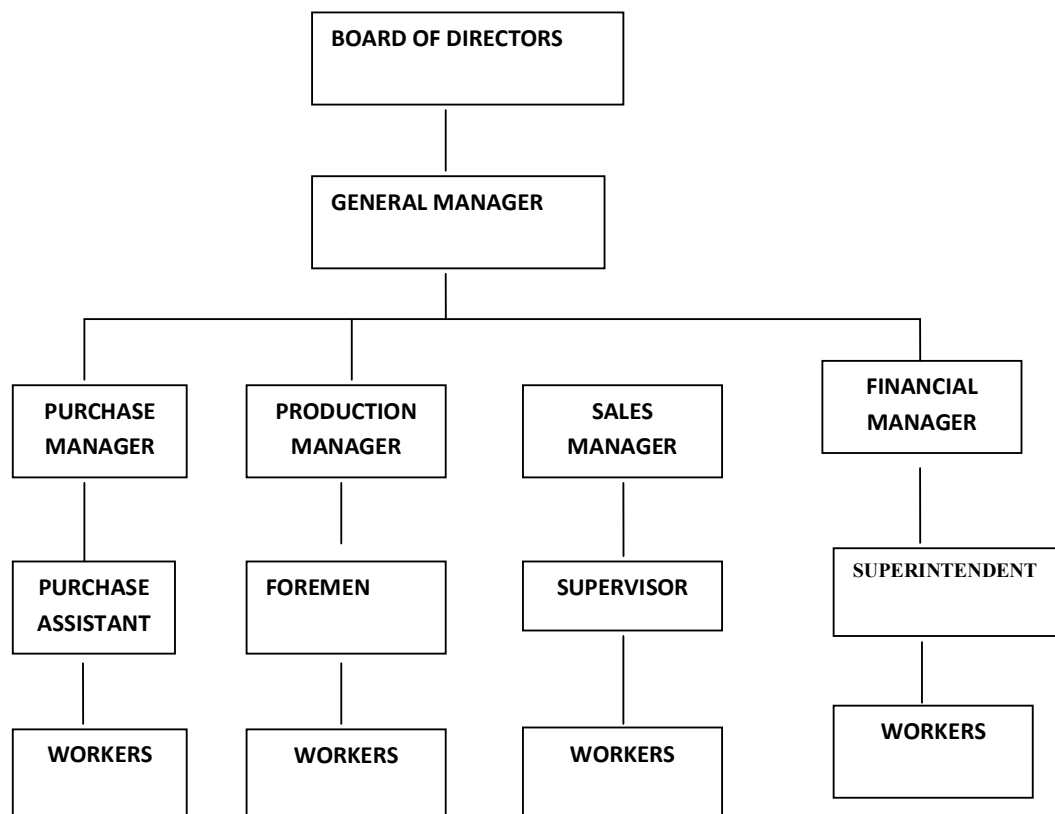
I   LINE ORGANISATION

Line Organisation is the simplest and oldest type of organisation. Under line organisation, each department is generally a complete self-contained unit. A separate person will look after the activities of the department and he has full control over the department.

There are certain powers which will be given to line executives to take decision whenever a need arises. He communicates his decision and orders to his subordinates. The subordinates, in turn, can communicate them to those who are immediately under them.

Such decision making authority is to flow from the top management level to the bottom. The top management people have greater decision making authority than bottom level executives. It should be noted that in this type of organization, an executive is independent of other executives of the same level (say departmental heads).

In other words, the same level executives do not give or receive any orders amongst themselves. But they receive orders from their immediate boss (general manager) and give orders to their subordinates. Hence, it is known that all the departmental heads are responsible to the general manger. The general manger, in turn, is responsible to the board of directors. The board of directors is responsible to the shareholders who are the owners.

This type of organisation is followed in the army on the same pattern. So, it is called military organisation. Under this type of organisation, the line of authority flows from the top to bottom vertically. So, it is called line organisation.

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Characteristics of line organisation

1.   It consists of direct vertical relationships.

2.   Authority flows from top level to bottom level.

179

3.   Departmental heads are given full freedom to control their departments.

4.   Each member knows from whom he would get orders and to whom he should give his orders.

5.   Operation of this system is very easy.

6.   A senior member has direct command over his subordinates.

7.   Existence of direct relationship between superior and subordinates.

8.   Each member knows to whom he is responsible for the accomplishment of objectives of the organization.

9.   The superior takes decisions within the scope of his authority.

Advantages of line organisation

1.   Simplicity: A line organization is very easy to establish. Its workers can understand the concept and relationship with others without any difficulty. There is no complication in its ideals.

2.   Division of authority and responsibility: Each person has his areas of authority which is clearly explained to him. So he knows to whom he is responsible for doing the job. No person could share his own responsibility after it has been fixed.

3.   Unity of control: According to unity of control, an individual can receive orders only from superior. It means that a subordinate is responsible only to one superior and he gets orders only from him.

4.   Speedy action: Under line organization, there is a proper division of authority and responsibility and unity of command. Hence, an individual can take decisions and execute the plans without any delay.

5.   Discipline: The authority flows from top to bottom. Loyalty and discipline can be maintained among the employees of the organization without any difficulty.

6.   Economical: Since line organisation is a single type of organisation, it is economical.

7.   Co-ordination: The business activities are grouped on functional basis. Each department is responsible for a function, so the department heads can get co-ordination from the workers who are working under them.

8.   Direct communication: There is a direct relationship between superior and subordinates at all levels of organization. This will help them to know each other. This ensures direct communication between staff members and increases the efficiency of the employees.

9.   Flexibility: Adjustment in the organisation can be easily made to suit the changing conditions of the business.

Disadvantages of organisation

1.   Lack of specialization: Each person is responsible for the overall exhibition of activities relating to his department alone. He is not expected to be an expert in all aspects, of managerial task. He simply gives instruction to his subordinates and does not specialize in certain phases of operation.

2.   Over loading: Whenever the scale of his operations or size of the business unit increases, this system gives over work to the existing executives. So, they are not in a position to direct and control the efforts of their subordinate's properly.

3.   Lack of initiative: Since maximum authority is invested with the top management, the department will lose their initiative to motivate the subordinates.

4.   Scope of favoritism: Only one person controls the activities of the department when there is a scope for favoritisms and nepotism.

5.   Dictatorial: Under line organisation, a subordinate should carry out the instructions and orders which are given by the superior. If not, he will be penalized. This entails in autocratic and aristocratic approach in administration. So, managers will become dictators and not leaders.

6.   Limited communication: In normal time, the communication moves downwards

but very rarely it moves upwards. The downward communication may be orders, instruction etc. if upwards communication is allowed, the management may know the grievances of employees. But upward communication is not preferred by the top management. So it results in limited communication.

7. **Unitary administration:** Each department's activities are looked after by a single executive who takes all the decisions relating to his department. Hence, the successful functioning of that department depends on his abilities.

8. **Subjective approach:** The degree of availability of authority is more to the superior than to the subordinates. So the superior takes decision without considering the opinions of the subordinates. The subordinates should follow the decisions taken by the superior.

9. **Instability:** The success of this type of organisation depends mostly on the ability of only few strong men and the failure of this organisation is likely due to the inability of the same persons.

10. **Lack of co-ordination:** The co-ordination among the departmental heads is not easy to achieve. The reason is that the executive of a department does not consider other departments' importance. This will result in the lack of co-operation and team spirit.

11. **Unsuitability for large scale enterprises:** This type of line organisation is not suitable for a large-scale enterprise which require specialisation.

12. The business activities may be divided according to the will of the manager rather than according to any scientific plan.

13. The system has no means of appreciating the efficient worker and pushing of the inefficient worker.

14. Under line organisation, efficient persons are essential to the top management. Practically, it is very difficult to find efficient person for small organisation.

15. The required time and efforts are insufficient for managerial planning, research and development and controlling activities of the organisation.

182

Suitability

1.   This type of organisation is suitable to small size business units.

2.   Where the activities are of routine nature or machine based.

3.   If the business activities are service minded.

4.   Where the number of persons working is small.

5.   The business operation is simple in nature.

6.   A business unit which has straight methods of operations.

II   FUNCTIONAL ORGANISATION

Under line organisation, a single person is in charge of all the activities of the concerned department. Here, the person in charge finds it difficult to supervise all the activities efficiently. The reason is that the person does not have enough capabilities and required training. In order to overcome the limitations of line organisation, F. W. Taylor proposed a new type of organization called functional organisation.

Under functional organisation, various specialists are selected for various functions performed in an organisation. These specialists will attend to the works which are common to different functions of various departments. Workers, under functional organisation, receive instructions from various specialists. The specialists are working at the supervision level, thus, workers are accountable not only to one specialist but also to the specialist from whom instructions are received. Taylor advocated this organisation as a point of the scheme of scientific management. Directions of work should be decided by functions and not by mere authority.

The need for functional organisation arises out of:

(i)   The complexity of modern and large-scale organisation.

(ii)   A desire to use the specialisation in full and;

(iii)   To avoid the work-load of line managers with complex problems and decisions-making.

183

Characteristics of functional organisation

1. The work is divided according to specified functions.

2. Authority is given to a specialist to give orders and instructions in relation to specific function.

3. Functional authority has right and power to give command throughout the line with reference to his specified area.

4. The decision is taken only after making consultations with the functional authority relating to his specialized area.

5. The executive and supervisors discharge the responsibilities of functional authority.

F.W. Taylor, the father of scientific management, recommended a functional organisation of activities at the top level. According to activities of his work he should be assisted by a number of specialists in solving the problems. The following chart will also help to understand the functional organisation.

184
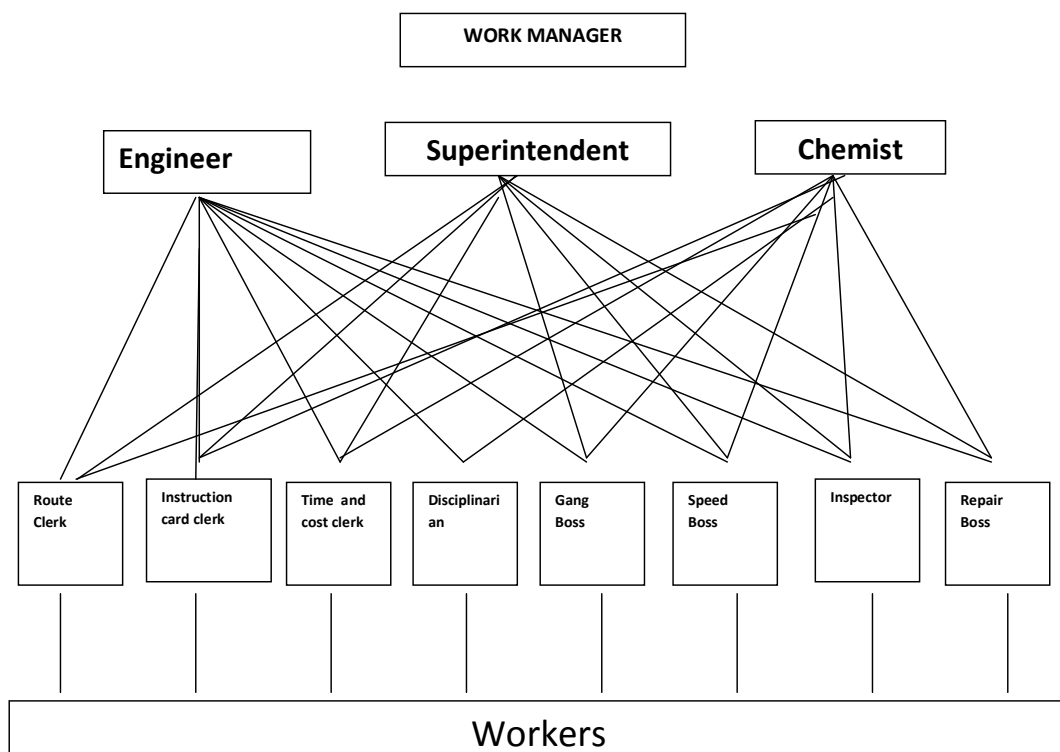
1.	**Route clerk:** He is a technical expert. He fixes the route through which each work should travel up to the stage of completion.

2.	**Instruction card clerk:** He is expected to draft instructions to workers on the basis of the route fixed by the route clerk. These instructions are written on a separate card.

3.	**Time and cost clerk:** The clerk fixes the standard time for each work and the cost incurred for each work. He gives instruction to the workers to record the time actually spent by the workers and actual cost incurred for completion with standard time and cost.

4.	**Speed boss**: He advises the workers to complete the work within the standard time considering the speed of the machine. Besides, the speed boss looks whether each work is completed in time or not.

5.	**Gang boss:** This worker is expected to see the various machines and materials kept ready for workers to perform work.

6.	 **Inspector**: The Inspector checks up the quality of each work and certifies it as standard. Actually, the accuracy of work is checked with reference to the specification.

7.	**Repair boss:** His works starts only after the actual work is performed by the workers. He is concerned with the up-keep of machines and other equipments. It means that the responsibility of the repair boss is the maintenance of machines.

8.	**Disciplinarian:** He implements the rules and regulations of the entire organisation. He is a peacemaker of the organisation. He also checks whether each work is performed in a systematic and perfect manner.

The route clerk, the instructions clerk and time and cost clerk work in the planning department. The gang boss, speed boss, inspector and repair boss belong to the factor section of the organization. The disciplinarian is not a staff of any section but he is responsible for the worker's conduct.

Advantages of functional organization

1.   Benefit of specialization: Under the work of functional organization each work is performed by a specialist. It helps to enhance the efficiency of the specialization. Each work is divided among the workers scrupulously.

2.   Application of expert knowledge: Planning function and executive function are divided separately and each function is entrusted to a specialist in the line organization. So, the specialists can use their expert knowledge in the actual performance of work.

3.   Reducing the work load: Each person is expected to look after only one type of work. It reduces the unnecessary work allotted to them. Hence, the quality of work and effective control over the work are achieved.

4.   Efficiency: Since each worker is responsible for each work, the worker can concentrate on the work allotted to them. They could assure proficiency in the work.

5.   Adequate supervision: Each staff member is in charge of a work. So, he can devote enough time to supervise the workers.

6.   Relief to line executive: Under functional organisation, the instructions are given by the specialist directly to the actual workers. Hence, the line executive does not have any problems regarding the routine works.

7.   Co-operation: A single person could not have full control over the workers in the organization. So, there is a possibility of promotion among the executives of the organisation.

8.   Mass production: Large-scale production can be achieved with the help of specialization and standardization.

9.   Economy: Under functional organization, each specialist is responsible for the performance of a work. Wastage in the production can be avoided and the expenditure could be considerably reduced.

10.   Flexibility: Any change in the organisation can be introduced without any difficulty.

Disadvantages of Functional Organisation

1. **Complex relationship:** A single worker is working under eight specialists under functional organisation. It is very difficult for the worker to be responsible to all persons. This results in conflict between the workers and the specialist.

2. **Discipline:** It is very difficult to maintain discipline among the workers when a single worker has to serve many masters.

3. **Over specialisation:** The organization can reap the advantage of specialization. But at the same time, there might be overloading of authority and divided responsibility.

4. **Ineffective co-ordination:** The extent of authority of a specialist is not correctly defined. It creates problems while getting the co-operation among the specialists.

5. **Speed of action:** when the control of worker is divided among the specialists, the speed of action of the worker may be hampered.

6. **Centralization:** Eight specialists are guiding and directing the workers to perform the work. So, the workers do not have any scope for doing job of their own. This leads to the centralization of authority.

7. **Lack of responsibility:** If there is any defect in the performance of work, the management is not in a position to fix the responsibility for it. The reason is that none of the eight specialists is ready to own the responsibility. They may shift the responsibility to any one among themselves for the poor performance of the workers.

8. **Increasing the overhead expenses:** The remuneration of the specialist may be higher than that of the foreman or supervisor.

9. **Poor administration:** Since many specialist control the same group of workers, no effective administration of worker could be ensured.

Suitability of Functional Organization

It is very suitable to a business unit which is engaged in manufacturing activities.

187

III   LINE AND STAFF ORGANISATION

There are some advantages and disadvantages within the line organisation and functional organisation. In order to reap the advantages of both line organisation and function organisation, a new type of organisation is developed, i.e., line & staff organisation and functional organisation may be avoided to some extent.

The line officers have authority to take decisions and implement them to achieve the objectives of the organisation. The line officers may be assisted by the staff offices while framing the policies and plans and taking decisions.

In the fast developing industrial world, the line officers are not in a position to acquire the technical knowledge. For example, while taking decisions regarding the production, technical knowledge is needed to take correct decisions.

This type of gap may be bridged with the help of staff officers. The staff officers may be experts in a particular field. Then, the line offices can get expert advice from the staff officers before taking the final decisions. According to Allen, "Staff refers to those elements of the organisation which provide advice and service to the line.

The authority flows from top level to the lower level of the organisation through the line officers while the staff officers attached to the various departments advise the departments. The staff officers do not have any authority to control anybody in the organisation. Besides, the staff officers are not in a position to compel the line officers to follow the advice given by them. Each department is headed by a line officer who exercises full authority regarding the planning, implementation and control of workers under him with the help of staff officers of any department. The workers get the instructions only from the line officers. Hence, the unity of command and specialization are followed in this organisation.

Types of staff

1.   Personal Staff: Personal staff means a person who assists another person in the performance of a work effectively. Under such circumstances the work of line officers could not be delegated to others. This type of a person is appointed at the

level of organisation. The personal staff officers do not supervise the subordinators of line officers.

2. **Specialized Staff:** The specialized staff officers render services to the line officers at all levels of the organisation. The specialized staff officers offer advice with some limited provisions. These provisions are imposed by the management.

3. **General Staff Assistant:** General staff assistants are a group of persons who render service as advisors to top management in specialized matters. The primary feature of the general staff is that they give advice regarding overall plans and policies of the organization. But they are not specialized in any area.

Functions of staff officers

1.   The staff officers assist the line officers in the planning of business activity.

2.   The board of directors frames the policies of the business on the basis of recommendations given by the staff officers.

3.   The managers can get the advice from the staff officers regarding the selection, training, placement and remuneration fixation of the personnel.

4.   The staff officers give advice regarding the method of improving the product, the technique of reducing the cost of production, increasing the profits of the concern etc.

5.   The staff officers prescribe the procedures to be followed by the line officers in the execution of policies and programmes.

6.   Staff officers of a department help the manager in the preparation of budget of the department.

7.   The staff officers may be called to solve the administrative problems encountered by the line officers in general.

In many organisations, the line officers extend their full cooperation to staff officers and vice-versa. This ensures smooth functioning of the organization. In certain circumstances, conflicts may arise between the staff officers and line officers. When an officer

189

blames the other officers for some lapse, it affects the smooth functioning of the business.

IV   FORMAL AND INFORMAL ORGANISATIONS

In order to understand the nature of difference between formal and informal organisations, we have to trace out their basic characteristics and how these are created.

Characteristics of Formal Organisation

The formal organisation (mostly referred to structure) is deliberately designed to achieve some particular objectives. It refers to the structure of well-defined jobs, each bearing a definite authority, responsibility and accountability. According to classical theorists, the formal organisation is built on four pillars: (1) division of labour, (2) scalar and functional processes, (3) structure, and (4) span of control. These are also referred to as principles of organisation. From this point of view, characteristics of formal organisations are as follows:

1.   Organisation structure is designed by the top management to fulfil certain requirements-—performance of necessary activities thereby achieving organisational goals.

2.   Organisation structure is based on the principles of division of labour and efficiency in operations.

3.   Organisation concentrates more on the performance of jobs (conglomerate of activities) and not on the individuals performing the jobs.

4.   The authority and responsibility assigned to each job have to be adhered to by the job holders. Based on the concept of authority and responsibility, people are placed in hierarchy, and their status is determined accordingly.

5.   Coordination among members and their control are well specified through processes, procedures, rules, etc.

190

Characteristics of Informal Organisation

Informal organisation refers to the natural grouping of people on the basis of some similarity in an organisation. For example, Litterer has viewed that "the informal organisation refers to people in group associations at work, but these associations are not specified in the blueprint of the formal organisation. The informal organisation means natural groupings of people in the work situation." Whenever people work together, they evolve some sort of grouping or pattern of relationships among them which is not according to what is prescribed by the formal organisation. Such relationships may be more complex than the officially prescribed ones. For example, Davis observes that "beneath the cloak of formal relationships in every institution, there exists a more complex system of social relationships called the informal organisation". From this point of view, characteristics of informal organisation are as follows :

1. Informal organisation is a natural outcome at the work place. It is not designed and planned.

2. Informal organisation is created on the basis of some similarity among its members. The bases of similarity may be age, sex, place of origin, caste, religion, personality characteristics, likings/dislikings, etc.

3. Membership in an informal organisation is voluntary. A person may become member of several informal organisations at the same time.

4. Behaviour of members of the informal organisation is coordinated and controlled by group norms and not by the norms of the formal organisation.

Difference Between Formal And Informal Organisations

Based on the characteristics of formal and informal organisations, we can differentiate the two as follows:

1. **Origin.** As discussed above, reasons and circumstances of origin of both formal and informal organisations are quite different. The formal groups are created deliberately and consciously by the framers of the organisation. On the other hand, informal organisations are created

191

because of the operation of socio-psychological forces at the workplace, that is, people while working together develop certain liking and disliking for others and interact in a way not prescribed by the framers of the organisation.

2. **Purpose.** Since formal groups are deliberate creations, they are created for achieving the legitimate objectives of the organisation. Informal groups are the basic product of formal organisation structure. The informal groups are created by organisational members for their social and psychological satisfaction. Thus, they serve the purpose or organisational members which formal groups are not able to satisfy.

3. **Size.** Formal groups may be quite large in size. Sometimes, formal groups are constituted to give representation to various interest groups in the organisation, and their size had to be kept large. However, in other cases, efficiency is the criterion for fixing the size of the formal groups. The informal groups tend to be small in size so as to maintain the group cohesiveness which is essential for the informal groups to be attractive for the members concerned.

4. **Nature of groups.** The formal groups are stable and may continue for a long period. Their membership is specified through organisational process. There may be many standing groups in the organisation. Such groups continue indefinitely, only their members may change. The informal groups, on the other hand, are quite unstable in nature. Since their formation and functioning depend upon the value systems, general liking and disliking, and other personality features of the members concerned, they may disappear very quickly because of the change in the membership or they may cease to be attractive for the members and the members may form alternative groups.

5. **Number of groups.** Since the whole organisation is divided into so many groups and subgroups, their number may be many in a single organisation. In fact, the number of formal groups is decided to serve the organisational purpose. This depends upon the organising pattern. Similarly a large number

of informal groups may also be found in the organisation. Moreover, an individual may become member of several informal groups. Therefore, there is overlapping of memberships.

6. **Authority.** The members of formal groups derive authority through the formal source, that is, through the process of delegation and redelegation. Thus, authority flows from the higher to lower levels. In the informal groups, all members are equal, however, some may command more authority by virtue of their personal qualities. Thus, authority is commanded. People give authority to those persons who are likely to meet members' needs maximum. This is the way of emergence of informal leaders in the informal groups. Such people have maximum positive interactions in the groups.

7. **Behaviour of members.** The behaviour of members in the formal groups is governed by formal rules and regulations. The rules are normally directed towards rationality and efficiency. In the informal groups, the behaviour of members is governed by norms, beliefs, and values of the groups. The kind of behaviour that is expected of a member is specified by these factors. If any member defies these, he is disliked by other members and for the person, the group does not remain attractive and he leaves it.

8. **Communication.** Communication is prescribed in the formal groups. It is normally through chain of command to which people refer to as formal channel of communication. All communications in the formal groups are expected to pass through that channel. In the informal groups, the communications pass through informal channels.

9. **Abolition.** The formal groups can be abolished at any time. Since these are created by organisational process, these can be abolished by organisational process also. In fact, many of the formal groups are constituted for certain specific purpose or period. When this is over, the group also disappears. The informal groups are difficult to abolish by organisational process. In fact, any attempt by management to abolish

193

the informal groups may be thwarted by the members and may lead to the formation of many more groups. Since the informal groups are by products of natural desire of human beings to interact, management does not have any control over them.

Table 2.2 Summarises the difference between formal and informal organisations.

Some management thinkers, however, consider formal-informal controversy as unnecessary. To them, the formal-informal dichtomy is only useful as conceptual tool. For example, Pfiner and Sherwood comment that "its (formal-informal dichtomy) face validity often induces to a false and elusive security; in reality, behaviours cannot be governed on the assumptions that such absolute categories exist. Nevertheless, the distinction has become so ingrained in popular parlance and in the professional literature that it is impossible to avoid its use."

TABLE 2.2 Formal and informal organisations : A comparison

Basis of comparison	Formal organisation	Informal organisation
Formation	Planned and deliberate	Spontaneous
Purpose	Well-set goals	Social interaction
Structure	Well structured	Unstructured
Nature	Official	Unofficial
Focus	Positions	Persons
Leadership	Superior	Any one
Source of power	Delegated	Given by group
Guidelines for behaviour	Rules and procedures	Group norms
Sources of control	Reward/punishment	Sanctions

2.17 MEANING OF DELEGATION

The concept of delegation is an indispensable part of the process of administration. The chief executive in an organisation is responsible to carry out every work himself but he

cannot do the entire task himself. In order to lessen his burden, he delegates or passes on some of the powers to his immediate subordinates in the managerial hierarchy. In other words, to delegate means to grant or confer. Here delegation means conferring authority from one manager of organisational unit to another in order to accomplish particular assignments. The powers are usually delegated to the departmental heads or managers who in turn delegate some of the powers to their immediate subordinate in their respective departments. Delegation of authority is an important managerial practice of getting things done through others by sharing the authority with them. It is the ability to get results through others. It enables the managers to distribute their workload to others and concentrate on more important functions which they can perform better because of their position in the organisation.

Definitions

In order to have clear understanding of the term, some important definitions are given below:

"Delegation is the dynamics of management, it is 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."

—Louis A. Allen

"Conferring authority from the executive or organisational unit to another in order to accomplish particular assignments."

—George R. Terry

"Delegation consists of granting authority or the light to decision making in certain defined areas and charging the subordinates with responsibility for carrying through an assigned task."

—Daughlas C. Basil

"Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits".

— Theo Haimann

195

"Delegation means in brief the passing to other of a share in the four elements of the management process."

—E.F.L. Brech

"A process whereby a superior divides his total work assignment between him and subordinates managers or operative personnel in order to achieve both operative management specializations."

—Hodge and Johnson

Mc Farland, "Delegation is the primary formal mechanism by which the net work of authority relationship established."

On analyzing the above definitions, it can be said that delegation is a means of assigning work to others and giving them the necessary authority to do the same. It means, process which enables an executive to put the managerial decisions in action. It is a right to people selected to perform certain duties.

2.18 FEATURES AND ELEMENTS OF DELEGATION

2.18.1 Features of Delegation

(a)   Delegation is authorization to a manager to act in a certain manner. The degree of delegation prescribes the limits within which a manager has to decide the things. Since, formal authority originates at the top level, distributed throughout the organization through delegation and re-delegation.

(b)   Delegation has dual characteristics. As a result of delegation, the subordinate receives authority from his superior, but at the same time his superior still retains all his original authority. Terry comments on the phenomenon like this. "It is something like imparting knowledge. You share with others who then possess the knowledge, but you still retain the knowledge too"

(c)   Authority once delegated can be enhanced, reduced or withdrawn depending on the situation and requirement. For example, change in organisation structure, policy, procedure, methods, etc. may require change in the degree of delegation of authority.

196

(d)   Delegation of authority is always to the position through the process of organising. The individual occupying a position may exercise the authority so long as he holds the position. Therefore, the authority is recovered fully from the individual when he moves from the particular position.

(e)   A manager delegates authority out of the authority vested in him. He cannot delegate which he himself does not possess. Moreover, he does not delegate his full authority because if he delegates all his authority, he cannot work.

(f)   Delegation of authority may be specific or general. Delegation of authority is specific when courses of action for particular objectives are specified. It is general when these are not specified, though objective may be specified.

2.18.2 Elements of delegation

The process of delegation consists of three elements. (1) Assignment of duties, (2) Granting of authority to perform the duty, and (3) Creation of an obligation. The process includes identifying the part of the job that can best be passed along, ways for getting others to accept these positions of the job, and ways for checking and controlling the related activities. Newman, Summer and Warren point out that duty, authority and obligation are three indispensable features of delegation. We may briefly discuss significance of these components of delegation.

1.   Assignment of duties (responsibilities). Duty means the activities or tasks which the subordinates are expected to perform by the virtue of their position in the organisation. It represents mental as well as physical activities required to perform the assigned work and as such it can be delegated. In simple words, it is the work to be completed. So a person, on delegation, when performs a job or completes a given (task) work has responsibility. If he has no responsibility, he would not have done any work. Thus doing something within the powers assigned is keeping up one's own responsibility which is part and parcel of delegation. For example, production manager can assign work to his subordinates by saying, "You have to produce 150 pieces from machine 'A' during the next week". It is expressing this duty in terms of a target or goal.

2. Granting authority to perform the duty. If a man has been assigned certain duties to be performed, he must also be given authority necessary for the performance of such duties. Authority is the right granted to an individual to direct and influence his subordinates. Right or power to produce or use raw materials, spend money, to hire and fire people, etc. has to be delegated to individuals to whom the work is assigned. For example, if the general manager issues orders to the production manager to manufacture particular type of goods he will also grant him the authority to use materials, money, machinery, hire workers and so on to fulfill the production schedule prescribed as his duty. It is a common saying in the management literature that "authority and responsibility go together". It is obvious that nobody can perform duties unless he has the requisite authority. In practice, delegation of authority may be difficult but a good manager would always ensure that when he assigns duties to his subordinates, he also gives them sufficient authority. The manager delegating the authority should also determine what type of authority is to be delegated. Here authority should not be confused with unlimited authority. It means authority co extensive with responsibility and within the overall policies of the company.

3. **Creation of an obligation.** It is the obligation of the subordinates to satisfy his superior that he performed his duties wisely according to the best of his abilities. *"By accepting and assignment a subordinate, in fact, gives him promise to do his best in carrying out his duties. Having taken a job, he is normally bound to complete it. He can be held accountable for results".* **Louis A. Allen** defines accountability as "The obligation to carry out responsibility and exercise authority in terms of performance standards established."

Accountability cannot be delegated. Though it is incurred as a result of assignment of duty and conferring of authority, accountability in itself cannot be delegated. Since, accountability cannot be delegated, the accountability of persons higher in the hierarchy for the acts of the subordinates is unconditional.

2.19 PRINCIPLES OF EFFECTIVE DELEGATION

The following are the well recognised principles which govern delegation of authority:

1. Authority should be co-extensive with responsibility. If a subordinate is given responsibility to do a task, he is also to be given authority to do it. And when authority is delegated the subordinate becomes responsible for doing the job. Since both authority and responsibility are concerned with the same task, it is reasonable that the two are co-extensive, i.e., both extend to equal lengths. 'Authority should always be delegated equal to responsibility". This is misconception. A person can never be given exactly as much authority as the work lie is assigned. For example, if the personnel director delegated responsibility for wages and salary matters to the manager of wage and salary, he must always withhold authority for overall planning, organisation, co-ordination, motivation and control with respect to wage and salary matters. Authority should commensurate with responsibility.

2. Assignment of duties in terms of results expected. It is very important guideline to effective delegation since it rests on this assumption that goals are set and plans made, and that jobs are set up to accomplish or implement them. The principle futher helps in minimising the dangers of delegating too much or too little authority. The authority delegated to a manager should be adequate to assure his ability to accomplish the results expected of him.

3. **Responsibility cannot be delegated.** By delegating authority a manager cannot free himself from his own obligations rather it increases his responsibility. He will now be accountable to his superior for the acts of his subordinates also. Ultimate responsibility for the accomplishment of the task is his (manager's) even though it has been assigned to a subordinate.

4. Unity of command. There should exist unity of command in the sense that an employee should receive orders and instructions from one superior only. Multiple superiors virtually vitiate the efforts in getting things done from the people. Nevertheless, this provides chances of shirking duties, abusing authority and evading responsibility. "One boss for any one man" should be the rule.

5. Duties should not overlap. Overlapping of duties puts a person in an untenable position and is a surest way to develop clashes between the two. The result of overlapping duties is that the workers find that co-operation is difficult to achieve.

199

6. Organisational gaps should be avoided. There are organizational gaps when certain duties need to be done but no one is responsible for them. As the duty which is "gapped" is necessary to the organisation, people become frustrated when they find they have no person to depend on to get this necessary work performed and their own work is being delayed or hindered because of this.

7. Definiteness of authority and responsibility. To make any delegation effective, the primary requisite is clear-cut authority to the subordinate with a definite assignment. The basic spirit of delegation would be frustrated if the delegates cannot exercise and assert authority and are required to refer back questions and problems to their respective delegators every now and then. So this should be avoided. It is further required that authority delegated and the tasks assigned to the delegated must be wide enough to accomplish objectives set before them.

8. Authority to delegate. The delegator in all circumstances should know that he has the requisite authority to delegate because it is he who will be ultimately responsible and answerable to his superior and not his subordinate to whom delegation is made. Delegation in order to be effective must be well defined with clarity in area of responsibility.

9. Establishment of objective with intelligent planning. It is to be noted that the work of delegation should not begin before the objectives or goals are laid down with definite planning. Without this background, delegation becomes vague and may lead to choas.

10. Free flow of information. To make any delegation effective free flow of information is also of overwhelming significance. Since the superior does not delegate all his authority to abdicate his responsibility, there should be uninterrupted flow of information and mutual understanding between superior and subordinate so that authority may be properly interpreted and decision made.

11. Exception principle. A manager delegates authority to the subordinate so as to be relieved of the overload which he thinks should be passed on to subordinates or to push down the process of decision-making as near to source of information and action as possible.

200

This principle implies that only in exceptional cases and circumstances the delegatee should refer his problems upward for consideration and decision by the superior. It is expected that in other cases the delegatee would make proper use of his authority and make all the decisions falling within the scope of his authority.

In the light of the above discussion it may be concluded that the above principles, if followed as guidelines while delegating authority, would certainly help in achieving the purpose.

2.20 OBSTACLES OR BLOCKS IN DELEGATION OF AUTHORITY

Although delegation appears to be simple process, yet in practice, many difficulties come in the way of effective delegation. These difficulties may be grouped into three categories which are discussed below:

A. On the part of the superior

Managerial failure in delegation crop up because of the following factors:

(i) Feeling of perfectionism. Some managers' think that they can do the job better themselves and, for this reason, do not delegate authority. "I can do it better myself fallacy hinders delegation of authority.

(ii) Lack of ability to direct. Lack of ability of the executive to identify and communicate the essential features of his plans, creates obstacles for effective delegation.

(iii) Lack of confidence in subordinates. Delegation implies a mutual trust and confidence between the manager and the subordinate. Lack of confidence in the ability, capacity and dependability of the subordinate obstructs the boss to deleagate authority. If a manager has no confidence in the subordinates, he will not delegate authority to give them any chance to make mistakes and learn how to take correct decisions.

(iv) Lack of control. While delegating authority the manager must find means of assuring himself that the authority is being used to complete the given tasks. Where manager does not establish adequate controls or has no means of knowing the use of authority, he may hesitate to delegate the authority.

(v) Cautious temperament and conservative attitude. The conservative attitude of manager and his cautions temperament generally act as obstacle in the delegation of authority, as the process of delegation involves risk which a manager with cautions temperament would not like to undertake.

(vi) Fear of competition from subordinates. Since in delegation of authority, subordinates learn to take decisions, the manager feel fear of competition from subordinates. Due to this, he may be unwilling to delegate authority to subordinates. This obstacle is usually unexpressed and may be unconscious.

B. On the part of the subordinate

Even if the superiors are willing to delegate authority, the subordinates avoid shouldering responsibilities because of the following possible reasons:

(i) Dependence of the boss. If a subordinate finds it easier to ask the boss for taking decisions while tackling problems, he may avoid accepting authority even though the boss may be prepared to delegate it.

(ii) Fear of criticism. If a subordinate fears that he will be criticised even for a small mistake, he will shirk from accepting authority.

(iii) Lack of self-confidence and fear of failure. A subordinate lacking in self-confidence will generally try to shirk responsibility even though the superior is prepared to delegate.

(iv) Lack of information and resources. Inadequacy of information and lack of resources are other in the way of accepting authority by the subordinates.

(v) Lack positive incentives. A subordinate may be unwilling in accepting more work delegated to him by boss if he does not get adequate positive incentives in the form of pay increase or improved opportunity for promotion, personal recognition and approval by the boss.

(vi) Overburdened with work. If a subordinate is already over hundred with work, he may not accept authority. This is legitimate reason for such refusal.

C. On the part of the organisation

The difficulties in delegation of authority may also lie within the organisation. They may include the following:

(i) Vague organisation structure and non-clarity of authority and responsibility relationships.

(ii) Inadequate planning and policy formulation.

(iii) Infringement of the principle of unity of command.

(iv) Lack of effective control mechanism.

2.21 METHODS/PRACTICAL GUIDELINES TO MAKE DELEGATION EFFECTIVE

Delegation is an art, not a science. So, there is no definite principle to follow for improving the skill of delegation. Manager will have to improve it only by experience. The experience of many executives provides the foundation for guiding factors.

1. Determine goals. Assignments should be clearly defined in terms of goals or results expected. If the person has to accept the delegation enthusiastically, he should be provided with detailed information emphasizing that his work is both necessary and important. So, it is only after a clarification of all these objectives that persons receiving instructions would do justice to the jobs assigned to them.

2. Clarify responsibility and authority. If a manager is to perform efficiently, he needs to know what his job and with how much authority, he has to perform it. Further, a supervisor who is not sure of his authority will evade issues or take every question to his chief for decision.

The essence of the whole problem is to put in writing the authority, responsibility relationship of each manager and the limitations on authority of each position.

3. Motivate subordinates. This is moving force is delegation. To get the best results, it is the responsibility of every manager to see that subordinates are motivated to do their jobs willingly and with all enthusiasm. Unless they have been given definite

assurances and are motivated towards their wages, improved working conditions, early promotion etc., any attempt made for delegating authority and responsibility would not be effective.

4. Provide training. Delegation is rather a difficult process and can be achieved only by getting necessary training. Manager should give proper training to his subordinates to accept delegation. However, training in delegation must follow the following steps so that it can be accepted effectively:

(a) Appraisal of current performance in delegation.

(b) Counseling for improvement.

(c) Coaching on the job.

5. Establish adequate control. Control system in effective delegation should be such which can free the executives from routine inspections yet enable him to maintain his accountability. In this context, it has been suggested to give subordinates the means of self control. They should be given an idea of the predetermined standards expected from them.

Pre-requisites for self-control:

(a) Subordinates must participate in setting the standards.

(b) Subordinates should understand and accept the standards thus established.

(c) From time to time subordinate should be furnished with reliable information and he should have access to that information.

(d) Subordinate should know the daily cost performance of his work to enable him to make sound control decisions for keeping his costs in line.

(e) Finally, subordinates should be given thorough training as to measuring up of standard and reporting the reasons in case variances exists.

6. Require completed work. Under this doctrine, the subordinates expected his boss to make a clearly understood delegation so that for every step in the process

of work, he need not consult his boss and thereby delay the whole matter in its completion. At the same time, the manager plans for guidance, coaching and communication.

The doctrine of completed work will be effective and meaningful provided the manager delegating the work:

(a) Makes a clear-cut assignment

(b) Delegates the details of co-ordination:

(c) Specifies proper information required.

(d) Provides counseling and guidance; and

(e) Requires a finished package.

7. Two-way communication. There should be two-way communication between the superior and the subordinate. The superior must give the instructions in clear and unambiguous words and he must allow the subordinate to seek clarification and guidance whenever the latter feels some difficulty.

8. Adherence to the principles of delegation. Strict adherence to the principles of delegation like parity of authority and responsibility, unity of command and absoluteness of accountability, is most essential for achieving better delegation.

2.22 MEANING AND FEATURES OF STAFFING

Organisations require the services of a large number of personnel. These personnel occupy the various positions created through the process of organising. Each position of the organisation makes certain specific contributions to achieve organisational objectives. Hence the person occupying the position should have sufficient ability to meet its requirement. Staffing basically involves matching jobs and individuals. This may require a number a functions like manpower planning, recruitment, selection, training and development performance appraisal, promotion, transfer, etc. Various authors look at staffing as one of the elements of organising process and the former has been carved out of the latter. However it is better to take up both elements of management separately because of several reasons *First,* knowledge and approach

required for staffing are quite different from organising process; staffing involves making people suitable to jobs while organising involves creation of jobs. *Second,* there is considerable development of knowledge and techniques in the area of staffing process. *Third,* there is tendency to treat staffing as a separate organisational function like production, marketing, finance, etc., and managers tend to overlook their role in staffing though every manager has to perform vital aspects of staffing process. Therefore, managers should take staffing as an essential element of management process.

The staffing function of management refers to the systematic approach to the problem of selecting, training, motivating and retaining managerial personnel in any organisation. Staffing is the function of manning and keeping manned the positions provided in the organisation structure. It is concerned with the human resources of an organisation. Broadly speaking, staffing includes personnel function of retirement. Staffing means "manning and keeping manned, a right man at right place". This needs man-power planning and man-power management. Staffing process therefore provides the organisation with adequate, competent and qualified personnel at all levels in the enterprise.

In other words, Staffing is the process of acquiring, developing, employing, appraising, remunerating, and retaining people so that right type of people are available at right positions and at right time in the organisation. Within each function, there are various sub functions. For example, acquiring personnel involves human resource planning, job analysis, recruitment, and selection.

McFarland has defined staffing as follows:

"Staffing is the function by which managers build an organisation through the recruitment, selection, and development of individuals as capable employees."

Koontz et al have defined staffing to cover more functions than those included in the above definition. Their definition of staffing is as follows:

"The managerial function of staffing is defined as filling positions in the organisation structure through identifying workforce requirements, inventorying the people available,

206

recruitment, selection, placement, promotion, appraisal, compensation, and training of needed people."

According to Haimann, "Staffing function pertains to the recruitment, selection, development and compensation of subordinate managers. Staffing like all other managerial functions is a duty which the manager performs at all time".

Peter Drucker assigns three responsibilities to management, (a) managing work, (b) managing workers, and (c) managing managers. The staffing function of management involves the discharge of the third, of these responsibilities.

Thus, staffing covers wide-ranging activities through which organisational positions created through organising process are kept filled. On the analysis of definition of staffing, we can derive its features which are as follows:

1. Staffing function is related to employment of personnel of all types—managerial as well as operative in the organisation.

2. Staffing includes a variety of activities through which the organisation tries to ensure that various positions remain filled by the most suitable personnel.

3. Staffing function is performed by every manager in the organisation like other managerial functions viz. planning, organising, directing, and controlling, though they receive considerable staff assistance in performing staffing function.

2.23 NATURE AND RESPONSIBILITY OF STAFFING FUNCTION

2.23.1 Nature of Staffing

Staffing function is being recognized as a separate management function. Earlier, it was considered to be a part of the organizing function of the management. It is also true that staffing is closely linked with organizing function of the management. It is also true that staffing is closely linked with organizing i.e., setting up of internal structures of roles and positions.

But now it is recognized as a separate management function. This is due to the following reasons.

1.   Rapid advancement of science and technology.

2.   Large size of business enterprise leading to increased needs of personnel.

3.   Complicated behavior of human beings.

Thus, staffing is a separate function in its own right.

2.23.2 Responsibility for Staffing

The last point of staffing features, as discussed above, needs further elaboration because confusion arises whether staffing is a function of all managers, or it is to be performed by specialised department known as personnel department which is being changed to human resource (HR) department. This confusion gets heightened because HR department is placed at par with other functional departments like production, marketing, finance, etc. in organisations. In order to sort out this confusion, let us have a brief theoretical framework of human resource management, which has been defined as follows:

"Human resource management is concerned with competing for and competing on human resources. Competing for human resources involves recruiting and employing right personnel and competing on human resources involves developing, retaining, and integrating personnel to achieve competitive advantage."

To a great extent, staffing can be equated with HR management as both have the same sort of objectives. HR management functions in large organisations are grouped together in HR department in order to take the advantages of specialisation. However, what HR department does is to facilitate the operations carried out by personnel in line departments like production, marketing, etc. In terms of line staff dichotomy, HR department functions as staff with functional authority over the issues related to human resource management. For example, performance appraisal of employees in a line department is carried out by the concerned line manager though HR department prescribes the procedure for carrying out the performance appraisal function. Similar situations exist in relation to other functions. For example, in the context of human resource development functions, Udai Pareek has observed that these are shared by different types of managers in an organisation. Top management pay highest

208

attention to building culture and climate, and to building strong and self-managing teams. Line management play the key role; they identify subsystems that need OD efforts and inform HRD department or top management, respond frankly to organisational diagnosis surveys, participate actively in discussions arranged by process specialists, and prepare realistic action plans for OD interventions and implement them. IR (industrial relations), in their turn, develop autonomous work groups, help supervisors provide support to such groups, develop and conduct role efficacy programmes for workers and other staff. HRD play the major role for self-renewal system. They identify sub systems that may need OD, identify managers who can be trained as process specialists (internal resources); conduct organisational diagnosis surveys, and plan and conduct OD interventions and monitor follow-up.

Participation of line managers in staffing functions arises because they are responsible for getting results from people employed in their department. Therefore, they try to ensure two things so far as their subordinates are concerned. First, they want that they get subordinates who are capable of performing the work well. Second, they want that their subordinates are trained and developed appropriately so that performance output increases and there is suitable replacement of personnel whose positions fall vacant because of any reason. Thus, every manager in the organisation participates in staffing process though he is provided facilities by HR department in carrying out the process.

2.24 IMPORTANCE OF STAFFING

Human resources of an organisation are considered to be the most vital assets because it is the people who make other resources moving. They perform various activities in the organisation in different functional areas like production, marketing, finance, etc. In the present world, human resources are being used as a means for developing competitive advantage which may be in the form of lower cost of production, development of products for special needs, special means for marketing the products, and so on. In this context, **Sumantra Ghoshal, professor of strategic leadership, has observed as follows:**

"A growing number of managers in India and abroad have begun to recognise that fundamental basis of competition has begun to change. The scarce resource, and primary

source of competitive advantage, is no longer physical or financial capital, but human capital."

Looking at the role of human resources in organisational effectiveness and increasing competition in human resource market, more and more companies are strengthening their staffing function. The importance of staffing can be guaged in the following context:

1. Filling organisational positions. A basic problem being faced by organisations throughout the world and more particularly in India is the acute competition for good quality human resources. Brian Friedman, consultant on human resources with Arthur Anderson, has called the situation as global talent war. With increasing competition for human resources, the cost of acquiring them has increased manifold. We find a paradox in Indian situation in which there is abundant supply of unskilled labour but acute shortage of good quality managerial and technical personnel. In such a situation, there is need for systematic staffing so that the organisation can fill its various positions with personnel of good quality.

2. Developing competencies. It is not sufficient that various organisational positions are filled but there should be development of competencies among personnel because of changing nature of job profile. We have seen in Chapter 4 how changes in environmental factors have changed job profile and this process still continues. In this changing job profile situation, the rate of skill obsolescence is very high. Therefore, there is a need for developing competencies among personnel on continuous basis. Today, organisations are not just developing specific skills but they go for multi-skilling and development of differential competencies to make their employees competent to face the growing environmental challenges. For making employees competent, newer training and development techniques are being evolved.

3. Retaining personnel. Apart from acquiring and developing personnel, retaining them in the organisation is equally important. Employee turnover, particularly at the managerial level, is a big problem. Though this problem is being experienced by all organisations to some degree, knowledge-based organisations—those engaged in information technology, consulting, investment banking and so on—are more prone to such a problem. For example. Guru Bakshi, Vice President (HR) of Metamor Global

210

Solutions Limited engaged in software development, has observed that "the IT industry has one of the highest employee turnovers, with employees constantly looking for more money and opportunities abroad." In order to retain their employees, organisations are adopting many methods having long-term implications besides persuading the employees to remain with them.

2.25 FACTORS AFFECTING STAFFING

Staffing requires an open system approach. It implies that staffing is basically a dynamic process and is affected by a variety of factors, both external and internal. Moreover, staffing function is affected by various elements of management process but at the same time, it affects other elements also. For example, planning of an organisation decides the number and type of personnel required. At the same time, number and type of personnel also affect what the organisation can do. Thus, staffing is affected by different factors which can be grouped into two categories: External and Internal.

EXTERNAL FACTORS

There are various external factors which have their impact on staffing policy, and an organisation does not have control over these factors. The major external factors are of the following types:

1. Nature of Competition for Human Resources. Nature of competition for human resources determines the organisational approach towards its staffing to a great extent. In India, there is abundant supply of unskilled workers which far exceeds their demand, but there is battle among oragnisations for certain other categories of personnel such as managerial talents—both fresh and experienced, computer software professionals, etc. The degree of competition is so high for PGP Management students from IIMs that most of the IIMs place all their students on the very first day of their campus recruitment programmes. In the year 2000, the number of companies which visited for campus recruitment increased to such an extent that IIM, Ahmedabad had to make arrangement for conducting interviews in shamianas. Increased competition for management talents has forced many companies to amend their policies for attracting, developing, and retaining these talents. For example, Hindustan Lever, which was considered as the most preferred

employer by management students, has started feeling the impact of this competition. In the words of its chairman, "historically, we have be*en an employer of choice in India. Today, we face a real challenge in sustaining our position and to do this, we need to fulfil the expectations of India's top talent. We must battle for being leading employers in India and globally, in addition to competing with the individual wealth creation and entrepreneurial promise of the Internet, in continuing to attract the best-m-class talent to Hindustan Lever".8 Naturally, this increased competition has refrained the access of many companies to such talents forcing them to change their staffing policy from acquiring the best talent to the available talent.

2. Legal Factors. There are various legal provisions which affect the staffing policy of an organisation. Various Acts which provide the restrictions to free recruitment are Child Labour (Prohibition and Regulation) Act 1986, Employment Exchange (Compulsory Notification of Vacancies) Act 1959, the Apprentices Act 1961, the Factories Act 1948, and the Mines Act 1952. Besides, provisions regarding mandatory employment of certain categories of personnel such as scheduled castes/tribes, OBCs, etc. impinge upon staffing policy of an organisation, more particularly in public sector.

3. Socio-cultural Factors. Various socio-cultural factors affect the extent to which the organisation can employ certain categories of personnel for certain jobs. For example, our socio-cultural factors almost prevent the employment of women in certain manufacturing operations such as operations involving physical exertion, etc.

4. External Influences. There are various forces in the environment which exert pressures on the employing organisations. These pressures may be from the political structure in the form of emphasis on 'sons of the soil', or pressure for appointing certain individuals, pressures from the community to which the promoters of an organisation belong, pressures from business contacts, etc. A theoretical approach to overcome these pressures would suggest discountenance of all such pressures or even to the extreme attitude of disqualifying such candidates for using influence. However, to what extent this approach is practicable, the matter is left to the employing organisations to decide.

212

INTERNAL FACTORS

Besides the various external factors, there are various internal factors related to the organisation which affect staffing activities. These factors are as follows:

1. Organisational Business Plan. Organisational business plan directly affects staffing function because it determines the type of personnel that may be required in future. Based on the business plan, organisations may be divided into three categories: growing, stagnating, and declining. A growing organisation undertakes various new projects either in the same line of business or different business. Such an organisation requires more personnel in future besides maintaining its existing personnel. Therefore, it goes for aggressive search of personnel, offers higher remuneration than average, various financial incentives to attract and retain personnel, etc. A stagnating organisation adopts stability strategy in which growth does not come by way of additional investment but by making the present investment more effective. Such an organisation focuses more on retaining its present personnel by offering them suitable rewards and financial incentives. A declining organisation focuses on reducing its business operations by divesting those businesses which do not match with its core competence. Such an organisation goes for downsizing personnel by offering voluntary retirement scheme and pays below average financial incentives in order to control cost.

2. Size of Organisation. Size of an .organisation is another factor which determines the degree of attractiveness to the prospective candidates. A small organisation cannot have the same staffing practices which a large organisation may have; it may not be able to attract highly talented personnel. Even if it tries to do so, its human resource cost would be almost prohibitive. This is just like an attempt to drink champagne on a beer budget as observed by Walter Vieira.9

3. Organisational Image. Organisational image, as perceived by the prospective candidates, is an important factor for attracting personnel for selection. The image of an organisation in human resource market depends on its staffing practices like facilities for training and development, promotional avenues, compensation and incentives, and work culture. If all these factors are positive, an organisation may be in a better position to attract candidates.

213

4. Past Practices. Past practices relating to staffing adopted by an organisation have their impact on the future practices. Generally, organisations adopt management practices based on certain assumptions, and if there is a need for change, it is brought about by evolution and not by revolution so that the change is absorbed more easily. Therefore, there is consistency in these practices over the period of time. The same is true for staffing practices too. These past practices, sometimes, affect the staffing process of the organisation.

2.26 MEANING AND FEATURES OF MAN POWER PLANNING

The main task of the function of staffing is to procure, develop and utilise right type of manpower resources in an organisation. In other words, it is concerned with recruitment, selection and placement of right type of man for the right type of job. For persuing proper recruitment and selection of employees, management must decide beforehand as to what type of men are to be recruited and in what number they are required. The first problem is tackled by job analysis and the second problem through planning.

Manpower planning may be organised at different levels of an organisation viz., plant division and corporate levels. At each level the task of man power planning may be conferred to a committee consisting of line officers and staff specialising in manpower planning. Divisional level committees undertake and coordinate the manpower requirements of different plants. Corporate level makes an integrated planning of manpower requirements at all divisions and headquarters of an organisation. Different causes affecting the availability of manpower requirements during the period under consideration should be considered and adequate provision of manpower inventory should be made so that there is no shortage of human resources in future. A proper and systematic man power planning programme requires forecasting, anticipation and planning for future. A proper manpower planning technique should consider the following :—

- To develop manpower requirements for the whole organisation.

- To create and evaluate the manpower inventory.

214

- To develop required talents among the employees selected for promotion and advancement.

Definitions of Manpower Planning

Some of the important definitions of Manpower Planning are enumerated as under:—

"A manpower planning programme can be defined as an appraisal of an organisation's ability to perpetuate itself with respect to its management as determined as necessary to provide the essential executive talent."

— Edwin Flippo

"Manpower planning involves two stages. The first stage is concerned with the detalied planning of manpower requirements for all types and level of employees throughout the period of the plan and the second stage is concerned with the right type of people from all sources to meet the planned requirements."

—Gordon Mc Beth.

"It is a process for determining and assuring that the organisation will have an adequate number of qualified persons, available at the proper times, performing jobs which meet the needs of the enteiprise and which provide satisfaction for the individuals involved."

—Dale S. Beach

"Manpower planning is the process including forecasting developing and controlling by which a firm ensures that it has the light number of people and right kind of people at the light places at the light time doing work which is economically most useful."

— E.B. Geisler

From the above definitions, following main features of manpower planning can be derived:

(i) It is concerned with the future needs of manpower;

(ii) A proper recruitment and selection procedure is developed with the help of manpower planning;

(iii) Effective utilisation of available manpower resources; and

(iv) Periodical review and control of cost involved in the process of manpower planning.

2.27 OBJECTS AND PREREQUISITES OF MANPOWER PLANNING

Manpower planning may be regarded as the quantitative and qualitative measurement of labour force required in an organisation and planning in relation to manpower. It may be regarded as establishing objectives to develop human resources in line with broad objectives of the organisation.

Main objects of manpower planning are enumerated as under: —

1. Accurate estimates of manpower requirements. The most important object of manpower planning is to make as far as possible correct estimates of future manpower requirements. Technique of forecasting is helpful in selecting right type of man for the right type of job. Necessity of additional jobs is created by retirement, retrenchment, discharge, demotion and separation etc. Forecasting also helps in minimising labour costs.

2. Inventorying of Personnel. Personnel inventorying is concerned with working details with regard to present employees pertaining to their educational qualifications, professional skill, proficiency in job and training received etc. The main object of preparing the inventory is to know about the number of persons with varied qualifications and skill etc. available in the organisation. This is helpful for further expansion and modernization of the concern.

3. Helpful in Recruitment and Selection. Human resource or manpower planning is immensely helpful in the process of recruitment and selection also. It brings down the recruitment and selection costs by following the procedures of recruitment and selection.

216

4. Achieving and Maintaining Production Level. Manpower planning helps in achieving and maintaining production level in an organisation. There is reduction in labour turnover, absenteeism and accidents etc. These industrial hazards are properly estimated by manpower planning. These estimates made in advance are helpful in maintaining desired production levels.

Besides the above mentioned objects there are certain other objects of manpower planning also. These are bringing about industrial peace and harmony, effective utilisation of manpower resources and undertaking programmes for the development of employees.

Pre-requisites in manpower planning

Following essentials or factors must be considered before earring the process of human resources planning. There are two types of considerations to be borne in mind viz. Quantitative and Qualitative.

(A) Quantitative Considerations.   These include.

(i) The Economic Considerations relating to determination of economic situation and in the light of that future sales and production estimates are made. These estimates affect manpower requirements.

(ii) Expansion programmes in future also affect future manpower requirements.

(iii) Availability of existing man power resources of different kinds should be kept in mind. This is helpful in forecasting future manpower requirements.

(iv) Rate of labour turn over is an important instrument with the help of which estimates with regard to future manpower requirements can be made. It provides required information statistically i.e. how many employees have left and joined the organisation during a specific period of time. Labour turnover rates are calculated by applying separation method, replacement approach and flux method. In the light of labour turn over rate future manpower requirements can be estimated.

(v) Resignations and retirements, promotion, demotion, separation, transfers, dismissals and lay off etc. are other important considerations to be borne in mind before initiating the process of human resources planning.

217

(vi) Changes in the management thinking, philosophy and plans etc also affect manpower plans. Technological changes and diversifications etc. bring about changes in the skills and performance of workers.

(B) Qualitative considerations. These cover:

(i) Work-load Analysis. It is a technical aspect of manpower planning. It includes and studies auditing of human resources, study of work standards and demand analysis etc.

Auditing of employees involves preparation skill inventory. Skill inventory covers data regarding skill and work priorities pertaining to work of different categories of workers. Big organisations prepare organisational charts and others employee information cards for this purpose.

Study of work standards is necessary for the quality of workers required. It is indispensable for preparing job analysis which includes job specifications and job descriptions.

(ii) Job Specification. Job specification refers to the human qualities M required for performing the job. The preparation of job specification is not as simple as that of job description. These qualifications are essential for the successful performance of a job. A job specification is prepared on the basis of job description. These human qualities serve as a guide for the manager at the time of selection of employees.

Generally, there is a controversy as to what are the human requirements for doing a specific job. A job specification usually includes the following: —

(i) Educational Qualifications. General as well as technical qualifications necessary for the job.

(ii) Experience. Evidence of occupational success in previous employment.

(iii) Initiative and motivation. Ambitious employee who is ready to accept promotion and motivate other employees for the achievement of goals of the enterprise.

(v) Unusual demands of the job. Ability to work for long hours if required.

218

(vi) Psychological characteristics. Special aptitudes, mental concentration, analytical ability, etc.

(vii) Physical characteristics. Body size, weight, eyesight, hearing, general health, etc.

(viii) Personal traits. Appearance, aggressiveness, behaviour, pleasing manners, etc.

(ix) Responsibilities. Responsibility for production, safety of men, material and machines.

2.28 SIGNIFICANCE AND IMPORTANCE OF MANPOWER PLANNING

Manpower planning is an indispensable part of overall planning process and is concerned with personnel planning function. It does not involve not only deciding the number of personnel required in future, but also the quality of personnel required, estimating demand for specific jobs, developing sound and appropriate recruitment and selection policies, effective utilisation of available human resources and finally controlling and reviewing the cost of work involved through manpower**.**

Following points highlight the importance of manpower planning:

1. Manpower planning forecasts long term manpower needs of a concern. It provides sound basis to the personnel policy which is concerned with procurement and selection of right type of men for right type of jobs.

2. It considerably helps in reducing the excessive personnel costs by anticipating present manpower needs and to develop the existing manpower to fill the future gaps.

3. It motivates the existing employees and is considerably helpful in their development in the organisation.

4. Manpower planning caters to the training needs of the existing, employees which in turn improve their performance.

5. It helps in developing the process of internal management succession among the workers.

219

6. Manpower planning brings about a general awareness of the importance of human resource management and its importance throughout the organisation.

2.29 FORMS OF MANPOWER PLANNING

Manpower planning is of two types viz., short term and long term manpower planning. These are briefly explained as under.

1. Short term manpower planning. It is concerned with the process of matching the existing employees with their present jobs so that they perform efficiently. There should be perfect correlation between the jobs of individuals. In the short run, it is the duty of the management to adjust employees with the jobs. It is very difficult to retrench the employees due to legal constraints and social obligations on the part of the employer. Some adjustments in the jobs should be made in the short run to accommodate the employees.

Following steps may be taken for successful implementation of short term manpower planning :

(**A) When employee is less qualified as compared to job specifications** (qualifications etc.) Following steps may be undertaken:

(i) Employees are given training for improvement in performance.

 (ii) If the job not liked by the employee, it may be changed.

(iii) Transfer and demotion also helps in adjustment of employees.

 (iv) In case of responsible jobs, assistants may be provided for help

(B) When the employee is more qualified than the requirements of a job.

Under such circumstances the abilities and skills of the employee are not utilised to the fullest extent, following steps may be taken for making adjustments:

(i) Job enlargement may be undertaken i.e. scope of the job being done by the employee may be widened.

(ii) If there are vacant positions at the higher levels, promotion may be given to the employees.

(iii) Advice and counselling may be sought from the employee.

(iv) The employee may be given additional temporary assignments.

2. Long-term manpower planning. Under long term planning, management has ample time to make required adjustments by taking necessary steps. Long term manpower planning covers a longer period say 15 to 20 years for meeting manpower requirements of a concern.

Following steps are suggested in case of long term manpower planning: (i) Projecting Manpower needs. The first important step in long-run manpower planning is to develop that organisational structure that will meet future manpower requirements in the best possible manner. The basic aim is to keep pace with the changes in future. Due to rapid technological advancements at present, it is not an easy task to perdict accurately future jobs needed for the organisation. Some firms claim that executive manpower needs are too intangible to forecast that management can not be defined or planned for in any constructive manner'. It may be pointed out that if the process of manpower planning is systematically undertaken, it brings about the desired results. An analysis of the under mentioned problems in the process of manpower planning may be helpful in projecting the future manpower needs of an organisation.

(a) Rate of loss of manpower due to retirement, separation, resignation and retrenchment must be predicted and need for replacement must be kept in mind.

(b) Need of new manpower requirements over and above the replacements should be predicted.

(c) Job specifications i.e. qualifications and abilities needed for different types of jobs must be clearly laid down.

(ii) Inventory and analysis of manpower. Manpower inventory and analysis involves the appraising of personnel by cataloguing their characteristics incorporating their educational and professional qualifications. The personnel inventorying includes the counting of number of persons available at present. It does not include counting of employees only but extends

221

to the determination of personnel to be inventoried, systematic and detailed appraisal of those individuals (after cataloguing them) and a detailed study of those who possess good potential for development.

It can be concluded that manpower inventory and analysis provides valuable information pertaining to present and future employees in the organisation. The information may not be completely accurate. But is invaluable and provides basis for the recruitment, selection and training processes to be followed in the organisation in the days to come.

(iii) Recruitment and selection. As pointed out in the preceding point that long term man power planning establishes the processes of recruitment and selection on proper lines. It brings about scientific recruitment and selection methods, which in turn helps in appointing the best type of employee in the organisation.

(iv) Development and training of the employees. Last but not the least step in the process of long term manpower planning is concerned with development and training of employees to take up new and challenging tasks and responsibilities. Well trained employees are invaluable assets for the organisation.

2.30 MEANING AND CHARACTERISTICS OF MOTIVATION

Motivation is one of the most important factors affecting human behaviour and performance. This is the reason why managers attach great importance to motivation in organisational setting. LipKert has called motivation as the core of management. It undertakes this phenomenon by analysing the concept of motivation and its various theories Today, virtually all people—lay people and scholars—have their own concept of motivation and they include various terms like motives, needs, wants, drives, desires, wishes, incentives, etc. in defining motivation. Technically, the term motivation can be traced to the Latin word *movere,* which means "to move." In order to understand the concept of motivation, we have to examine three terms : motive, motivating and motivation and their relationship.

(a) **Motive.** Based on the Latin word *movere,* motive (need) has been defined as follows:

"A motive is an inner state that energises, activates, or moves (hence motivation), and that directs behaviour towards goals."

—Rennis Likest

Motive has also been described as follows :

"A motive is restlessness, a lack, a yen, a force. Once in the grip of a motive, the organism does something to reduce the restlessness, to remedy the lack, to alleviate the yen, to mitigate the force.

—Fill more H. Stanford and Larence S. Wrightsman

Here, we can differentiate between needs and wants. While needs are more comprehensive and include desires—both physiological and psychological, wants are expressed in narrow sense and include only those desires for which a person has money and also the desire to spend the money to satisfy the wants. As we shall see later in this chapter, there are many psychological needs, like social needs, recognition needs, etc. which do not fall under the category of wants.

(b) Motivating. Motivating is a term which implies that one person, in the organisational context, a manager, induces another say, employee, to engage in action (work behaviour) by ensuring that a channel to satisfy the motive becomes available and accessible to the individual. In addition to channelising the strong motives in a direction that is satisfying to both the organisation and the employees, the manager can also activate the latent motives in individuals and harness them in manner that would be functional for the organisation.

(c) Motivation. While a motive is energiser of action, motivating is the channelisation and activation of motives, motivation is the work behaviour itself. Motivation depends on motives and motivating, therefore, it becomes a complex process. For example, Dubin and defined motivation as follows:

"Motivation is the complex forces starting and keeping a person at work in an organisation. Motivation is something that moves the person to action, and continues him in the course of action already initiated."

223

According to McFarland, "Motivation refers to the way in which urges, drives, desires aspirations, strivings, or needs direct, control or explain the behaviour of human beings."

After defining motive, motivating, and motivation, we can now see the relationship among these. Such a relationship is presented in Figure 2.5
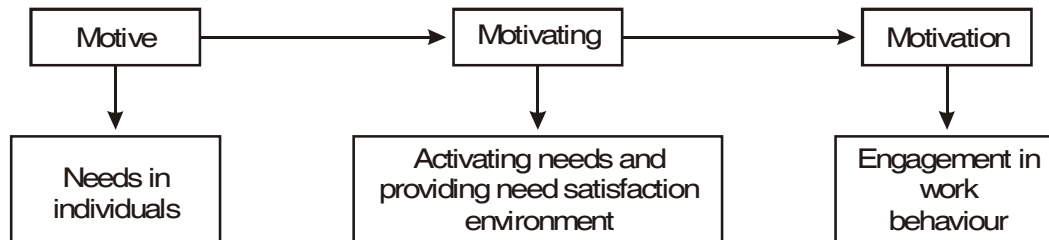
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┌──────────┐      ┌──────────────┐      ┌──────────────┐
│  Motive  │─────▶│  Motivating  │─────▶│  Motivation  │
└──────────┘      └──────────────┘      └──────────────┘
     │                   │                     │
     ▼                   ▼                     ▼
┌──────────┐  ┌────────────────────────┐  ┌──────────────┐
│ Needs in │  │ Activating needs and   │  │ Engagement in│
│individuals│ │ providing need         │  │    work      │
│          │  │ satisfaction environment│ │  behaviour   │
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Figure 2.5 Relationship between motive, motivating and motivation

Based on the definition of motivation, we can derive its nature relevant for human behaviour in organisation. Following characteristics of motivation clarify its nature:

1. **Based on Motives.** Motivation is based on individual's motives which are internal to the individual. These motives are in the form of feelings that the individual lacks something. In order to overcome this feeling of lackness, he tries to behave in a manner which helps in overcoming this feeling.

2. **Affected by Motivating.** Motivation is affected by way the individual is motivated. The act of motivating channelises need satisfaction. Besides, it can also activate the latent needs in the individual, that is, the needs that are less strong and somewhat dormant, and harmless them in a manner that would be functional for the organisation.

3. **Goal-directed Behaviour.** Motivation leads to goal-directed behaviour. A goal-directed behaviour is one which satisfies the causes for which behaviour takes place. Motivation has profound influence on human behaviour; in the organisational context; it harnesses human energy to organisational requirements.

224

4. **Related to Satisfaction.** Motivation is related to satisfaction. Satisfaction refers to the contentment experiences of an individual which he derives out of need fulfillment. Thus, satisfaction is a consequence of rewards and punishments associated with past experiences. It provides means to analyse outcomes already experienced by the individual.

5. **Person Motivated in Totality.** A person is motivated in totality and not in part. Each individual in the organisation is a self-contained unit and his needs are interrelated. These affect his behaviour in different in different ways. Moreover, feeling of needs and their satisfaction is a continuous process. As such, these create continuity in behaviour.

6. **Complex Process.** Motivation is a complex process; complexity emerges because of the nature of needs and the type of behaviour that is attempted to satisfy those needs. These generate complexity in motivation process in the following ways:

(i) Needs are internal feelings of individuals and sometimes, even they, themselves, may not be quite aware about their needs and the priority of these. Thus, understanding of human needs and providing means for their satisfaction becomes difficult.

(ii) Even in needs are identified, the problem is not over here as a particular need may result into different behaviours from different individuals because of their differences. For example, the need for promotion may be uniform for different individuals but all individuals may not engage in similar type of behaviour; they may adopt different routes to satisfy their promotion needs.

(iii) A particular behaviour may emerge not only because of the specific need but it may be because of a variety of needs. For example, hard work in the organisation may be due to the need for earning more money to satisfy physiological needs, or may be to enjoy the performance of work itself and money becomes secondary, or to get recognition as a hard-working person.

(iv) Goal-directed behaviour may not lead to goal attainment. There may be many constraints in the situation which may restrain the goal attainment of goal-directed behaviour. This may lead to frustration in an individual creating lot of problems

225

2.31 THEORIES OF MOTIVATION

From the very beginning, when human organisations were established, people had tried to find out the answer of 'what motivates people in the organisation most.' The starting was made by Frederic W. Taylor and his followers Frank Gilbreth, Lillian Gilbreth, and Henary Gantt, in the form of scientific management and more particularly 'differential piece rate system. This system was concerned with using financial incentives to motivate people in the organisational context. Then came the findings of human relations which emphasised security and working conditions at the job besides financial incentives for work motivation. In early 1960s, those concerned with work motivation started to search for a new theoretical foundation and to attempt to devise new techniques for application. The earlier part of these approaches was based on the types of needs that people had and the way these needs could be satisfied so that people would be motivated. These theories are known as **'content theories of motivation'**. Maslow gave the theory of need hierarchy; Herzberg proposed two-factor theory; McClelland emphasised on power, affiliation, and achievement motives; and Alderfer proposed three groups of core needs: existence, relatedness, and growth (ERG model).

Because of lack of uniform findings in various researches based on the content approaches, scholars, tried to find out the process involved in motivation which led to the emergence of **'process theories of motivation'.** These theories are more concerned with the cognitive antecedents that go into motivation or effort and with the way they affect each other. Vroom proposed the theory of work motivation based on valence and expectancy. Porter and Lawler made some refinements in Vroom's model and suggested their own model. Behaviourists added the concept of equity to these models and proposed the 'equity theory of work motivation'.

Some scholars tried to relate the nature of human beings with the work motivation. Though these propositions are not confined to work motivation, they offer some insights in understanding work motivation. Prominent theories in this group are McGregor's theories X and Y, and Ouchi's theory Z.

A caution for grouping various theories into categories is that there may be overlapping in this grouping. Various theories of motivation approach the problems of motivation from different perspectives, but they all emphasize similar set of relationships. These

226

relationships are the individual, his needs, his perception of how he will be able to satisfy his needs, and whether his need satisfaction is equitable. All these theories have their relevance only in particular context, and when the context changes, they may not work because they are not unified theories which can be applied in all situations. Therefore, *contingency theory of motivation* is required. However, contingency theory has not been fully developed as yet. Now let us go through various theories of motivation to find out what they propose and offer implications for motivating people in organisations.

Maslow's Need Hierarchy

The behaviour of an individual at a particular moment is usually determined by his strongest need. Psychologists claim that needs have a certain priority. As the more basic needs are satisfied, an individual seeks to satisfy the higher needs. If his basic needs are not met, efforts to satisfy the higher needs should be postponed. A.H. Maslow, a famous social scientist, has given a framework that helps to explain the strength to certain needs. According to him, there seems to be a hierarchy, into which human needs are arranged as shown in Figure 2.6.

1. **Physiological Needs.** The physiological needs are at the top of the hierarchy because they tend to have the highest strength until they are reasonably satisfied.
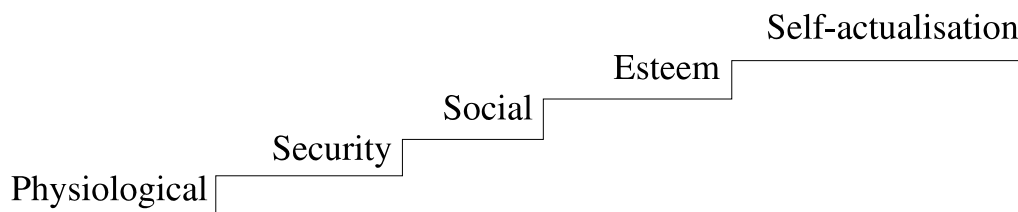
Fig 2.6 Maslow's need hierarchy

Until these needs are satisfied to the degree needed for the efficient operation of the body, the majority of a person's activities will probably be at this level, and the other levels will provide him with motivation. A famous saying "man can live on bread alone if there is no bread" suggests that human beings first try to acquire necessities for their survival.

227

2. Safety Needs. Once the physiological needs are satisfied to a reasonable level—it is not necessary that they are fully satisfied and degree of reasonableness is subjective—other levels of needs become important. In this hierarchy come the need for safety, that is need for being free of physical danger or self-preservation. In the industrial society, safety needs may take considerable importance in the context of the dependent relationship of employees to employers. As pointed out by McGregor, the safety needs may serve as motivators in such circumstances as arbitrary management actions, behaviour which arouses uncertainty with respect to continued unemployment and unpredictable administration of policy. Peter F. Drucker has suggested that one's attitude towards security is an important consideration in choosing a job. Organisation can influence these security needs either positively—through pension plan, insurance plan, etc.—or negatively by arousing fears of being fired or laid off, demoted.

3. Social Needs. After the first two needs are satisfied, social needs become important in the need hierarchy. Since man is a social being, he has a need to belong and to be accepted by various groups. When social needs become dominant, a person will strive for meaningful relations with others. If the opportunity for association with other people is reduced, men often take vigorous action against the obstacles to social intercourse. In the organisation, workers form informal group environment. Such environment develops where the work is routine, tedious or over-simplified. This situation is made worse when workers are closely supervised and controlled, but have no clear channel of communication with management. In this type of environment, workers depend on informal groups for support of unfulfilled social needs such as affiliation.

4. Esteem Needs. The esteem needs are concerned with self-respect, self-confidence, a feeling of personal worth, feeling of being unique and recognition. Satisfaction of these needs produces feelings of self-confidence, prestige, power and control. The satisfaction of esteem needs is not always obtained through mature or adaptive behaviour. It is sometimes generated by disruptive and irresponsible actions. Some of the social problems have their roots in the frustration of the esteem needs.

5. Self-actualisation Needs. Self-actualisation is the need to maximise one's potential, whatever it may be. This is related with the development of intrinsic

capabilities which lead people to seek situations that can utilise their potential. This includes competence which implies control over environmental factors, both physical and social, and achievement. A man with high intensity of achievement needs will be restless unless he can find fulfilment in doing what he is fit to do. As Maslow has put it, "this need might be phrased as the desire to become more and more what one is, to become everything that one is capable of becoming."

Maslow suggests that the various levels are interdependent and overlapping, each higher-level need emerging before the lower-level need has been completely satisfied. Since one need does not disappear when another emerges, all needs tend to be partially satisfied in each area. When the peak of a need is passed, that need ceases to be the primary motivator. The next level need then begins to dominate. Even though a need is satisfied, it still influences behaviour because of interdependent and overlapping characteristics of needs. This relationship among different needs has been shown in Figure 2.7
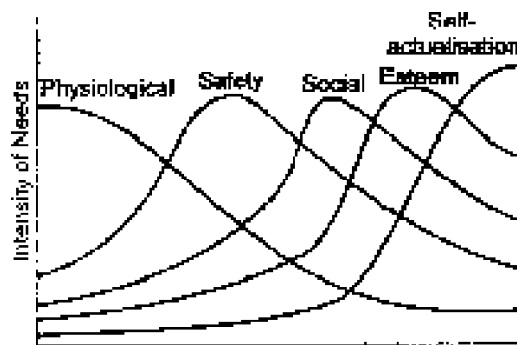
FIGURE 2.7. : Relationship of new level of needs

Critical Analysis of Maslow's Theory

Maslow's theory has reasonable support for the hypothesis that human needs have some hierarchical order. The theory is based on the assumption, it is true also, that man is continuously wanting. All his needs are never fully satisfied. As soon as one need is reasonably satisfied, its prepotency diminishes and another need emerges to replace it. Thus, at last, some needs remain unsatisfied which serve the man to strive to satisfy. Thus, it presents a very simple solution of managerial problems, that is, managers can try to satisfy the needs of people in this particular order. However, it is not

229

so. The hierarchy is not so rigid for all the individuals and all the times. Identified below are few problems which are not adequately solved by this theory :

1. There is lack of hierarchical structure of needs as suggested by Maslow, though every individual has some ordering for his need satisfaction. This is based on the assumption that man has limited resources which he can use alternatively. Resources, here, cannot be taken only in a physical way, rather it is used in more comprehensive way. Naturally, every person has to satisfy his needs in some order. However, this order may not follow Maslow's need hierarchy. This has been demonstrated by a large number of researches both in foreign countries as well as in India. Following generalisations can be drawn on the basis of these studies—both in foreign countries and in India :

   (i) Some people may be deprived of their lower order needs but may try for self-actualising needs. The example of Mahatma Gandhi is one of the most important. This does not require any further explanation.

   (ii) There are certain persons for whom self-esteem needs are more important than social needs. Such people may be those who seek self-assertion as a means to an end, that is, love need.

   (iii) There is considerable disordering among physiological needs, safety needs, social needs, and esteem needs, particularly in organisational context. For example, many people do not care for job security (security need) but care for social need. Similarly, many people may not care for social need but for self-esteem need.

   (iv) For certain people, many of the needs may not form part of their own need hierarchy. Thus, there is not only question for reversal of hierarchy but also discontinuity of hierarchy. For example, there may be people who might be deprived of social need from their childhood. They may develop apathy towards such needs, though it is just possible that they may develop high order for such need.

2. There is another problem, which is common with many other theories also, that there is often a lack of direct cause-effect relationship between need and behaviour.

230

Thus, a particular need may cause behaviour in different ways in different persons. Similarly, one particular behaviour may be the result of different needs. For example, if a person is thirsty, he may take water, or some soft drink, or some juice. Similarly, people may earn money to satisfy several types of needs, not only physiological needs. Thus, need hierarchy is not as simple as it seems to be.

3. There is another problem in applying the theory into practice. A person tries for his higher-level need when his lower-order need is reasonably satisfied. What is this reasonable level is a question of subjective matter. Thus, the level of satisfaction for particular need may differ from person to person. Infect, needs and their satisfaction are mental feeling. Sometimes, even the person concerned may not be aware about his own needs.

These are some basic problems involved in the application of Maslow's need hierarchy model. At every level of needs, it can be seen that the role of individual is very important. Since individuals differ, it may not be quite possible to prescribe one standard action for solving motivational problems of all persons, rather, a contingency approach has to be applied.

Herzberg's Motivation-Hygiene Theory

Need priority, to a great extent, characterises the types of behaviour. It will be either directed towards achieving certain desirable positive goals, or conversely, towards avoiding other undesirable, negative consequences. Thus, a question may arise as to what variable are perceived to be desirable goals to achieve, and conversely, undesirable conditions to avoid. In this connection, a research study was conducted by Frederick Herzberg and associates of Case-Western Reserve University. This study consisted of an intensive analysis of the experiences and feelings of 200 engineers and accountants in nine different companies in Pittsburg area, U.S.A. During the structured interview, they were asked to describe a few previous job experiences in which they felt 'exceptionally good' or 'exceptionally bad' about jobs. They were also asked to rate the degree to which their feelings were influenced—for better or worse—by each experience which they described.

On analysing the information from the interview, Herzberg concluded that there were two categories of needs essentially independent of each other affecting

behaviour in different ways. His findings are that there are some job conditions which operate primarily to dissatisfy employees when the conditions are absent, however, their presence does not motivate them in a strong way. Another set of job conditions operates primarily to build strong motivation and high job satisfaction, but their absence rarely proves strongly dissatisfying. The first set of job conditions has been referred to as maintenance or hygiene factors and second set of job conditions as motivational factors.

(A) Hygiene Factors

According to Herzberg, there are ten maintenance or hygiene factors. These are company policy and administration, technical supervision, interpersonal relationship with supervisors, interpersonal relationship with peers, interpersonal relationship with subordinates, salary, job security, personal life, working conditions and status. These are not intrinsic parts of a job, but they are related to conditions under which a job is performed. They produce no growth in a worker's output; they only prevent losses in worker's performance due to work restrictions. These maintenance factors are necessary to maintain at a reasonable level of satisfaction in employees. Any increase beyond this level will not provide any satisfaction to the employees; however, any cut below this level will dissatisfy them. As such, these are also called as *dissatisfiers.* Since any increase in these factors will not affect employee's level of satisfaction, these are of no use for motivating them.

(B) Motivational Factors

These factors are capable of having a positive effect on job satisfaction often resulting in an increase in one's total output. Herzberg includes six factors that motivate employees. These are : achievement, recognition, advancement, work itself, possibility of growth, and responsibility. Most of these factors are related with job contents. An increase in these factors will satisfy the employees; however, any decrease will not affect their level of satisfaction. Since, these increase level of satisfaction in the employees, these can be used in motivating them for higher output.

Herzberg maintains that potency of various factors is not entirely a function of the factors themselves. It is also influenced by the personality characteristics of the

individuals. From this point of view, individuals may be classified into two groups—motivation seekers and maintenance seekers. The motivation seekers generally are individuals who are primarily motivated by the 'satisfiers' such as advancement achievement and other factors associated with work itself. On the other hand, the maintenance seekers tend to be more concerned with factors surrounding the job such as supervision, working conditions, pay, etc.

(C) Critical Analysis of the Theory

Herzberg's model is based on the fact that most of the people are able to satisfy their lower-order needs considerably. As such, they are not motivated by any further addition of satisfaction of these needs. This is true which has been supported by many studies, both in India and foreign countries. Herzberg's model has been applied in the industry and has given several new insights. One of these insights is job enrichment. This job enrichment applies to improvement of jobs in such a way that they have more motivators than before. The idea behind job enrichment is to keep maintenance factors constant or higher while increasing motivational factors. Job enrichment is different form job enlargement practised earlier to make job more attractive. In job enlargement, the basic idea is to change the job to become more complicated and varied so that monotony goes off, while job enrichment seeks to bring more motivators to the job by attaching more responsibility, more intrinsically satisfying work conditions and more power over the environment. Thus, Herzberg's model has solved the problems of managers who were wondering why their fancy personnel policies failed to motivate their employees adequately.

However, Herzberg's model is not applied in all conditions. This has been amply suggested by various research studies, again both in India and in foreign countries. For example, there is considerable amount of mixing of maintenance and motivating factors. Therefore, these findings suggest that various factors relating to jobs, whether intrinsic or extrinsic, may not be classified into maintenance and motivating factors. This classification can only be made on the basis of level of person's need satisfaction and relative strength of various needs. Besides, the research studies confronting the two

233

factors—satisfiers and dissatisfiers—many writers and thinkers on the subject have argued against the theory as follows :

1. In fact, job satisfaction and dissatisfaction are two opposite points on a single continuum. Individuals on the job are affected by any change either in the job environment or in the job content.

2. Herzberg's model is 'method bound', and a number of other methods used for similar study have shown different results not supporting his contentions. Thus, the theory has limitations in general acceptability.

3. This theory does not attach much importance to pay, status, or interpersonal relationships which are held generally as important contents of satisfaction.

(D)   Comparison of Herzberg and Maslow Models

When Herzberg and Maslow models are compared, it can be seen that both the models focus their attention on the same relationship that is what motivates an individual. Maslow has given it in terms of need hierarchy and has suggested how people try for comparatively higher-level needs. Thus any unsatisfied need becomes a motivating factor for the individual and governs his behaviour in that direction. In comparatively socially and economically advanced countries, most of the lower order needs are fulfilled and for people, only higher-level needs remain motivating factors. This is what Herzberg has suggested. Most of his maintenance factors come under comparatively lower-order needs. Most of these needs remain satisfied and hence cease to be motivators.

Figure 2.8 shows the need hierarchy of Maslow with self-actualisation at the top considering that other needs come under Herzberg's maintenance factors while self-actualisation under motivating factors. There are some divisions of esteem need: some parts coming under maintenance factors, e.g., status, and others, advancement and recognition, going under motivational factors.
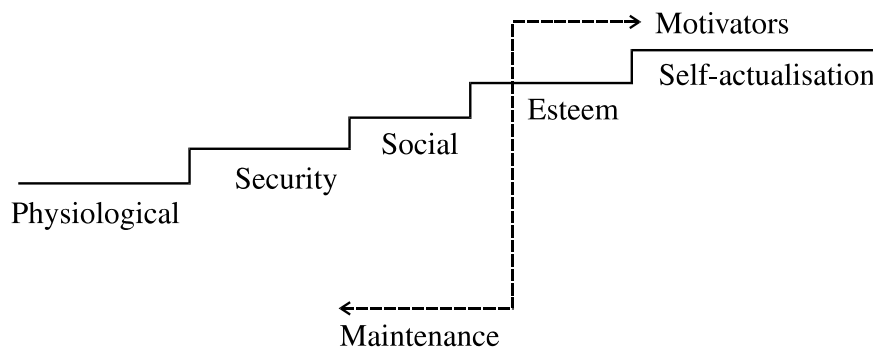
234

Fig 2.8 Relationship between Herzberg and Maslow models

There is a particular difference between the two models. Maslow emphasises that any unsatisfied need whether of lower order or higher order will motivate individuals. Thus, it has universality in its applicability. It can be applied to lower-level workers as well as higher-level managers. In underdeveloped countries, where because of lack of socio-economic progress, even lower-order needs are not reasonably satisfied, such needs are motivating factors. According to Herzberg, these are hygiene factors and fail to motivate workers.

McGregor's Theory X and Theory Y

The management's action of motivating human beings in the organisation, according to McGregor, involves certain assumptions, generalisations and hypotheses relating to human behaviour and human nature. These assumptions may be neither consciously crystallised nor overtly stated; however, these serve the purpose of predicting human behaviour. The basic assumptions about human behaviour may differ considerably because of the complexity of factors influencing this behaviour. McGregor has characterised these assumptions in two opposite points, Theory X and Theory Y.

(A) Theory X. This is the traditional theory of human behaviour. In this theory, McGregor has certain assumptions about human behaviour. In his own words, these assumptions are as follows.

1. Management is responsible for organising the elements of productive enterprises—money, materials, equipment, people—in the interest of economic ends.

235

2. With respect to people, this is a process of directing their efforts, motivating them, controlling their actions, modifying their behaviour to fit the needs of the organisation.

3. Without this active intervention by management, people would be passive—even resistant—to organisational needs. They must be persuaded, rewarded, punished, controlled, and their activities must be directed. This is management's task. We often sum it up by saying that management consists of getting things done through other people.

4. The average man is by nature indolent—he works as little as possible.

5. He lacks ambition, dislikes responsibility, prefers to be led.

6. He is inherently self-centered, indifferent to organisational needs.

7. He is, by nature, resistant to change.

8. He is gullible, not very bright, the ready dupe of charlatan and the demagogue.

Of these assumptions, last five deal with the human nature and first three with managerial actions. These assumptions about human nature are negative in their approach, however mush organisational processes have developed on these assumptions. Managers subscribing these views about human nature attempt to structure, control and closely supervise their employees. They feel that external control is most appropriate for dealing with irresponsible and immature employees. McGregor believes that these assumptions about human nature have not changed drastically though there is a considerable change in behavioural pattern. He argues that this change is not because of changes in the human nature, but because of nature of industrial organisation, management philosophy, policy, and practice.

(B) Theory Y. The assumptions of Theory Y are described by McGregor in the following words :

1. The expenditure of physical and mental effort in work is natural as play or rest. The average human being does not inherently dislike work. Depending upon controllable conditions, work may be a source of satisfaction or a source of punishment.

236

2. External control and the threat of punishment are not the only means for bringing about effort towards organisational objectives. Man will exercises self-direction and self-control in the service of objectives to which he is committed.

3. Commitment to objectives is a function of the reward associated with their achievement. The most significant of such awards, *e.g.* the satisfaction of ego and self-actualisation needs, can be a direct product of effort directed towards organisational objectives.

4. The average human being learns under proper conditions not only to accept, but to seek responsibility. Avoidance of responsibility, lack of ambition, and emphasis on security are generally consequences of experience, not inherent human characteristics.

5. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population.

6. Under the conditions of modern industrial life, the intellectual potentialities of the average human beings are only partially utilised.

The assumptions of Theory Y suggest a new approach in management. It emphasises on the cooperative endeavour of management and employees. The attempt is to get maximum output with minimum amount of control and direction. Generally, no conflict is visible between organisational goals and individual goals. Thus, the attempts of employees which are in their best interests are also in the interests of organisation.

(C) Comparison of Theories X and Y

Both theories have certain assumptions about human nature. In fact, they are reverse sides of a coin, one representing head and the other representing tail. Thus, these assumptions seem to be mutually exclusive. The difference between two sets of assumptions can be visualised as follows :

1. Theory X assumes human beings to be inherently distasteful towards work. Theory Y assumes that for human beings, work is as natural as play.

2. Theory X emphasises that people do not have ambitions and try to avoid responsibilities in jobs. The assumptions under Theory Y are just the reverse.

3. According to Theory X, most people have little capacity for creativity while according to Theory Y, the capacity for creativity is widely distributed in the population.

4. In Theory X, motivating factors are the lower needs. In Theory Y, higher order needs are more important for motivation, though unsatisfied lower needs are also important.

5. In Theory X, people lack self-motivation and require to be externally controlled and closely supervised to get maximum output from them. In Theory Y, people are self-directed and creative and prefer self-control.

6. Theory X emphasises scalar chain system and centralisation of authority in the organisation while Theory Y emphasises decentralisation and greater participation in the decision-making process.

7. Theory X emphasises autocratic leadership; Theory Y emphasises democratic and supportive leadership styles.

(D) Implications of Theories X and Y

McGregor's assumptions in terms of Theory X and Theory Y are based on Maslow's need hierarchy model. In the beginning, when the concept of 'economic man' was accepted, some writers emphasised only on the satisfaction of physiological and safety needs. These were the basic constitutents of the motivation model. However, because of changes in the value systems and social systems, higher-order needs were emphasised for human beings and these needs mostly replaced lower-order needs as constituents of motivation model. Similarly, assumptions under Theory X are being replaced by assumptions under Theory Y. This is being reflected in the managerial styles and techniques. Today we emphasise management by objectives, management by integration and self-control, supportive management, decentralisation, job enrichment etc. These techniques are

applicable in the organisations where self-motivated, self-controlled, mature, and responsible people work. McGregor believes that recent researches in the behavioural sciences have shown that the assumptions of what he calls Theory Y may be more valid than the precepts of Theory X.

The major implications of Theories X and Y may be seen in the management process which are presented in Table 2.3. It may be mentioned that these processes are not based on any conclusive proof of research studies but present a conjectural view based on assumptions of theories X and Y.

Table 2.3: Management processes with theories X and Y

Management activities	Theory X	Theory Y
1. Planning	Superior sets objectives for subordinates. Little participation in objective setting and plan formulation, Few alternatives are explored. Low commitment to objectives and plan.	Superior and subordinate set objectives jointly, Great deal of participation in objective setting and plan formulation, Many alternatives are explored. High commitment to objectives and plans.
2. Directing	Autocratic leadership based on authority. Top-down communication with little feedback. Limited information flow.	Participation and team-work leadership based on competence. Two-way communication with plenty of feedback. Free information flow.
3. Appraising and controlling	Low trust in appraisal, Control is extreme and rigid, Focus on past and fault finding	High trust in appraisal, Internal control based on self-control Based on past but forward looking and problem solving

239

Thus, it can be seen that management assumptions about the nature of human beings are very critical in determining the management processes including motivation.

Theory Z

Theory Z describes the major postulates of Japanese management practices and how these practices can be adopted to the environment of United States and other countries. It can be made clear that the letter Z does not stand for anything; it is merely the last letter of the alphabet. It is just to denote the state of affairs in organisation and human behaviour as has been done in the case of theories X and Y. Further, Theory Z is not a theory; it is a label interchangeable with the type Z. The redundant expression 'Theory Z' was adopted not for analytical or descriptive purposes but, perhaps, for promotional purposes. Ouchi, who has given Theory Z, has made a comparative study of American and Japanese management practices and has recommended that many Japanese management practices can be adopted in American context.

Features of Theory Z

Based on Japanese management practices and motivational pattern, Ouchi has sugggested five broad features of Theory Z. These are trust, strong bond between organisation and employees, employee involvement, no formal structure, and the role of managers to bring coordination in human beings rather than in technical factors :

1.   **Trust**. Trust is the first postulate of Theory Z. By trust, **Ouchi** means trust between employees, supervisors, work groups, unions, management and government. According to him, trust, integrity and openness are closely related. These are essential ingredients of effective organisations. When an organisation relies on these principles, employees tend to cooperate to the maximum extent. When trust and openness exist, the chances of conflict are automatically reduced to the minimum.

2.   **Strong Bond between Organisation and Employees.** Theory Z suggests strong bond between organisation and its employees. Ouchi has suggested certain methods for this, including the life-time employment in the organisation as being followed by Japanese organisations. This stability must be achieved through the

240

provisions of highly conducive work environment and challenges and participation in decisions. When there is a situation of lay off, it should not be resorted to and shareholders and owners can share the resultant loss by accepting less profits or even moderate losses for a short period of time. Another factor necessary for stability of employment is the slowing down of evaluation and promotion which brings saturation in employees' prospects very soon. As against vertical movement of employees, more emphasis should be placed on horizontal movement which reduces stagnation. A career planning for employees should be prepared so that every employee is suitably placed. Slowing down of promotion and financial incentives can be made up by non-financial forms of evaluation such as frequent involvement with superiors or projects. They communicate the expectation of greater income in the future without creating short-term incentives.

3. **Employee Involvement.** Employee involvement is an important factor in Theory Z. The involvement comes through meaningful participation. However, it does not mean that employee's participation is necessary in all decisions. In fact, there can be some decisions which are taken without consulting employees but they are informed later. There can be some decisions where employees' suggestions are taken but the final decisions are made by management. In the case of remaining decisions, the process should be a joint one. However, any decision affecting employees in and way should be taken jointly and if there is any decision which the management wants to take individually, the employees should be informed about this so that they do not feel ignored. The idea is not to slow down the decision-making process but involve employees for their commitment and giving due recognition to them.

4. **No Formal Structure.** Theory Z provides no formal structure for the organisation. Instead, it must be a perfect teamwork with cooperation along with sharing of information, resources and plans. Ouchi has given the example of a basketball team which plays well together and solves all problems with no formal reporting relationships and minimum of specialisation of positions and of tasks. In the same way, integrated organisation does not have any chart, divisions, or any visible structure places emphasis on rotational aspect of employee placement which provides opportunities to him to understand how his work affects others or is affected

241

by other. This enables him to develop group spirit which is the basic backbone of success.

5. Coordination of Human Beings. The leader's role is to coordinate people and no technology to achieve productivity. This involves developing people's skills and also the creation of new structures, incentives, and a new philosophy of management. The purpose is to achieve commitment of employees to the development of a less selfish-more-cooperative approach to work. Before commitment can occur, however, there must be understanding which comes from the open expression of skepticist through a process of debate and analysis. The leader must develop trust which consists of the understanding of fundamentally compatible goals of the desire for more effective working relationship together. To develop trust, there should be complete openness and candour in the relationship. This develops a common culture and imbibes no class feeling in the organisation.

Implications of Theory Z

Theory Z provides a complete transformation of motivational aspect of employee which other theories are not able to emphasise. However, it can be mentioned that Theory Z is not merely a motivational technique but it also involves the complete transformation of management actions including various management techniques. The basic question is whether the same pattern can be followed by Indian organisations. This question becomes important from two points of view. *First*, they are trying to have more collaboration from Japanese organisations which emphasis more on Theory Z. In this process, we may import Japanese management culture, we have been doing with western culture. *Second*, our socio-cultural pattern different than what Theory Z organisations may require. The process of implementing Theory Z has already started, though on a very limited scale. In example, Krishnamurthy, the former Chairman of Maruti Udyog Limited which producing Maruti car in collaboration with Suzuki Motor Company of Japan, he said that 'I think if we have to make Japanese cars with Japanese quality and at the Japanese costs in our country, there is only one way— the Japanese way'. In fact, he has tried to implement some of the tenets of Theory Z. For example, the workplace has been designed on the Japanese pattern. A common canteen has been provided where everbody takes lunch irrespective of hierarchy. Similar uniform has been introduced for all. All these have been done to avoid class or group feeling.

242

Many more Japanese methods are to be adopted. Whether this will be successful or otherwise only time will tell.

There are some features which may work against the precepts of Theory Z. *First*, the provision of life-time employment to develop strong bond between the organisation and its employees seems to be difficult because of two reasons. One, the employer is unlikely to retain an employee who is otherwise unproductive because of easy availability of substitutes. Two, an average Indian employee will not hesitate to switch over, if there is a relative rise in his income or other non-monetary benefits. Thus, life-time employment seems to be a difficult proposition and consequently the unusual loyalty of the employees. *Second*, the Theory Z organisation emphasises on common culture and imbibes no class feeling within the organisation. This again seems to be very difficult because people come from such a wide variety of environments that a citizen from north may be an alien in south. People differ in habits, eating pattern, dress, and languages which may be a barrier in developing common culture. Moreover, our society has been based on classes with caste system being the base for that. The caste system is certainly based on class. *Third*, the proposition that shareholders will accept less profit or accept losses to avoid lay-off does not seem to be feasible in Indian context where most of the organisations believe in low level of social responsibility. *Fourth*, the participation in Indian context has its limitations. *Fifth*, there may be some operational problems in implementing Theory Z. For example, organisation without its structure has been emphasised by many but how actually it works is yet unanswered. A large organisation without some kind of structure, even though highly flexible, may present chaos. It may be true with the basketball team but when it comes to large organisations, it presents problems. Even modern American organisations could not follow this. Similarly, horizontal movement of employees may not derive the advantages of specialisation which is the order of the day. The degree of horizontal movement is limited to the extent to which skills needed for one job can be transferred to other job. However, this may not pose big problems as has been demonstrated by many companies where there is interchange of people across the functional boundary. It can be summed up that Theory Z does not present the total solution of management problems at least for the present.

243

2.32 SELF ASSESSMENT QUESTIONS

1. Planning is the essence of management — Elucidate.

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2. Explain the various theories of motivation.

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3. Differentiate between formal and informal organisation

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4. Discuss the principles of effective delegation.

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5. What is Man Power Planning and give its features?

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2.33 BOOKS RECOMMENDED

- LM Prasad : Principles and Practice of Management (Sultan Chand & Sons)

- Gupta, Sharma and Bhalla: Principles and Practices of Management (Kalyani Publishers)

- T. Ramasamy: Principles of Management (Himalaya Publishing House)

- George R Terry : Principles of Management (Richard D Irwin Inc)

- Harold Koontz and Heizweihrich : Essentials of Management (Mcgraw Hill series in Management)

- Peter F Drucker : Frontiers of Management (Heinemann London)

- Peter F Drucker : Managing for future (Tata Mcgraw Hill)

- J.S. Chandan : Management theory and Practice (Vikas Publishing House Pvt Ltd.)

LEADERSHIP AND THEORIES OF LEADERSHIP

Objective:

After going through this lesson, you should be able to:

- Describe the meaning of leadership and its characteristics

- Explain in detail the need and importance of leadership.

- Differentiate leadership and administration.

- Illustrate the various theories of leadership.

Structure:

3.1 Introduction

3.2 Meaning and Definition of leadership

3.3 Characteristics of leadership

3.4 Nature of Leadership

3.5 Need or Importance of leadership

3.6 Techniques of leadership

3.7 Leadership Styles

3.8 Leadership Theories

3.9 Difference between Leadership and Management

3.10 Self Assessment Questions

3.11 Books Recommended

3.1 INTRODUCTION

Success of a business concern is depend upon the ability of its leadership. Leadership exists in any type of organisation. Whenever and in whatever situation if someone tries to influence the behaviour of another individual or a group, there is leadership.

In an organisation, wherever an individual has subordinates, he may act as a leader. The efforts of subordinates (followers) are to be channelised in the right direction. As leaders, they are not only the responsible for directing their followers but also responsible for the attainment of goals of the organisation. It is believed that leaders are born and not made. At the same time, a few people also believe that leaders are not born .but made. But generally, leaders are born and also made.

3.2 MEANING AND DEFINITIONS OF LEADERSHIP

Leadership is the process of influencing the behaviour of others to work willingly and enthusiastically for achieving predetermined goals. Any type of compliance tending towards resistance is unwillingly and that tending towards commitment is willingly and enthusiastically. The latter type of response is the objective of leadership. The latter type of response is the objective of leadership. Now we can move to a formal definition of leadership. **Tennenbaum** have defined leadership as follows:

"Leadership is interpersonal influence exercised in a situation and directed through communication process, towards the attainment of a specified goal or goals".

This definition puts emphasis on influencing through communication. However, it does not emphasise the enthusiasm with which the receiver of the communication will act. **Terry** has defined leadership in the context of enthusiastic contribution. He says that :

"Leadership is essentially a continuous process of influencing behaviour. A leader breaths life into the group and motivates it towards goals. The lukewarm desires for achievement are transformed into a burning possion for accomplishment".

Koontz and O'Donnell said, "Leadership is generally defined as influence, the art of process of influencing people so that they will strive willingly towards the achievement of group goals."

247

Allen, "Leader is one who guides and directs other people. He must give effective direction and purpose."

According to the **Encyclopedia of Social Sciences**, "Leadership refers to the relation between an individual and a group around some common interest and behaving in a manner directed or determined by him (the leader)."

In the words of **Peter F. Drucker**, "Leadership is the lifting of man's visions to higher rights, the raising of man's performance to higher standards, the building of man's personality beyond its normal limitations." .

Robert C. Appleby "Leadership is a means of direction, is the ability of the management to induce subordinate to work towards group ideals with confidence and keenness."

Alford and Beatty Opines, "Leadership is the ability to secure desirable actions from a group or followers voluntarily without the use of coercion."

Ordway Tead asserts, Leadership is that combination of qualities by the possession of which one is able to get something done by others, chiefly because through his influence, they become willing to do so."

Haimann Theo fact that, "Leadership can be defined as the process by which an executive imaginately directs, guides and influences the work of others in choosing and attaining specific goals by mediating between the individual and the organisations in such a manner that both will obtain maximum satisfaction."

Chester I. Barnard "It (leadership) refers to the quality of the behaviour of the individual whereby they guide people on their activities in organised efforts."

R.T. Livingston believes, "Leadership is the ability to awaken in others the desire to follow a common objective."

Leadership is a highly dynamic process of influencing the subordinates so that they cooperate enthusiastically in the achievement of group goals.

According to **Theo Haimann,** "Leadership is the process by which an executive imaginatively directs, guides and influence the work of others in choosing and attaining

248

specified goals by mediating between the individuals and the organisations in such a manner that both will obtain maximum satisfaction."

According to **James Gibbin**, "Leadership is the process of influence on a group in a particular situation at a given point of time and in a specific set of circumstances that stimulates people to strive willingly to attain organisational objectives, giving them the experience of helping attain the common objectives and satisfaction with the type of leadership provided."

Leadership is thus a psychological process of influencing followers or subordinates and providing guidance to them. It is always related to a situation which means a leader may be effective in one situation while ineffective in another. To be effective, a leader should change his leadership style depending upon the requirements of the situation.

3.3 CHARACTERISTICS OF LEADERSHIP

Following are some of the characteristics of leadership:

1. There must be followers

A leadership cannot exist without followers. If a leader does not have followers, he cannot exercise his authority. Leadership exists both in formal and informal organisations.

2. Working relationship between leader and followers

There must be a working relationship between the leader and his followers. It means that the leader should present himself in a place where the work is actually going on. Besides, the leader should be a dynamic person of the concerned group. If he is not so, he cannot get things done.

3. Personal quality

The character and behaviour of a man influence the works of others.

4. Reciprocal relationship

Leadership kindles a reciprocal relationship between the leader and his followers. A leader can influence his followers and, in turn, the followers can influence the leader. The willingness of both the leader and the followers is responsible for the influence and no enforcement is adopted.

5. Community of interests

There must be community of interests between the leader and his followers. A leader has his own objectives. The followers have their own objectives. They are moving in different directions in the absence of community of interests. It is not advisable. It is the leader who should try to reconcile the different objectives and compromise the individual interests with organisation interests.

6. Guidance

A leader guides his followers to achieve the goals of the organisation. A leader should take steps to motivate his followers for this purpose.

7. Related to a particular situation

Leadership is applicable to a particular situation at a given point of time. It varies from time to time.

8. Shared function

Leadership is a shared function. A leader is also working along with his followers to achieve the objectives of the organisation. Besides, the leader shares his experience, ideas and views with his followers.

9. Power relationship

A leader has powers to exercise over his followers. The leader derives these powers from the organisation hierarchy, superior knowledge, experience and the like.

3.4   NATURE OF LEADERSHIP

An analysis of the definitions of leadership reveals the following points :–

1. Leadership is a process of influence— Leadership is a process whose important ingredient is the influence exercised by the leader on group members. A person is said to have an influence over others when they are willing to carry out his wishes and accept his advice, guidance and direction. Successful leaders are able to influence the behaviour, attitudes and beliefs of their followers.

2. Leadership is the function of stimulation— Leadership is the function of motivating people to strive willingly to attain organisational objectives. Leaders are considered successful when they are able to subordinate the individual interests of the employees to the general interests of the organisation. A successful leader guides his subordinates to have their individual goals set by themselves in such a way that they do not conflict with the organisational objectives. When this congruency is achieved, workers act enthusiastically to achieve these goals.

3. Leadership gives an experience of helping attain the common objectives— Under successful leadership, every person in the organization feels that his operation, however minor it may be, is vital to the attainment of organisational objectives. It happens when the manager feels the importance of individuals, given them recognition and tells them about the importance of activities performed by them.

4. Employees must be satisfied with the type of leadership provided— Only short-term productivity of employees can be increased by pressure and punishment. This approach is not in the long-term interests of the organizsation. Force generates counter-force which results in a decreased long-term productivity. Long-term interests of the organisation are best served when managers allow subordinates to influence their behaviour, particularly when subordinates are knowledgeable and competent. A good manager recognizes the fact that leadership is a shared function. A good leader shares everything with his followers; he shares credit, he shares blame, he shares ideas, opinion and experience.

5. Leadership is related to a situation— when we talk of leadership, it is always related to a particular situation, at a given point of time and under a specific set of circumstances. That means leadership styles should be different under different circumstances. At one point of time, the subordinates may accept the autocratic behaviour of the leader while at a different point of time and under a different set of

251

circumstance, only participative leadership style may be successful. That is why, it is said that leadership is always particular and not general.

3.5 NEED OR IMPORTANCE OF LEADERSHIP

1. Perfect organisation structure

An organisation structure cannot provide for all kinds of relationships. That is why; informal relationships are made to exist within the framework or formal organisation structure. But the organisation structure is complete or perfect with the help of effective leadership.

2. Directing group activities

The personal conduct and behaviour of a leader can direct others to achieve organisational goals. The main responsibility of a leader is to get the work done effectively by the followers. The followers cannot work hard and effectively without leadership. A leader alone can consolidate the efforts and direct them towards the goal.

3. Technological, economic and social changes

There is frequent change in technology, economic and social structure in the present computer world. So, the organisation should change its operation and style. This is possible only with the help of effective leadership. If, the changes do not take place, the organisation cannot survive.

4. Better utilisation of manpower

A leader treats with equal importance, plans, policies and programmes of an organisation. The plans, policies and programmes do not work themselves. There is a need for a leader. The leader implements the plans, policies an programmes to utilise the available manpower effectively and get highest production with minimum human cost.

5. Avoiding imbalances

An organisation grows in size and complexity with the imbalances. Complexity arises

252

due to the introduction of new functions. The reason is that the introduction of new functions resulted in increased levels of management. So, there is a problem of command, co-ordination and control. A leader can tackle these problems and maintain balances.

6. Source of motivation

Simply, the existence of leadership does not motivate the workers. The leadership style should be utilised to motivate the workers according to the situations prevailing. The achievement of goals is doubtful in the absence of leadership.

7. Reconciliation of goals

An organisation has its own goals. The employees of the organisation have their own goals. They are working mainly for achieving their goals instead of achieving organisational goals. An effective leadership can reconcile the goals of organisations and employees. It is necessary for the success of an organisation.

8. Developing good human relations

Human relations represent the relations between the leader and the followers (subordinates). An efficient leader can develop the skill of the followers and promote self-confidence apart from motivation. Next, the leader creates opportunity to show their abilities and induces the followers to work towards the accomplishment of goals. In this way, the leader promotes the co¬operative attitude of workers and maintains better relations with them.

9. Promoting the spirit of co-ordination

A dynamic leader can co-ordinate the activities of the subordinate. In an organisation, workers are working in groups, so there is a need for co-ordination among the group members. A leader promotes the spirit of co-ordination among the workers.

10. Fulfiling social responsibilities

Social responsibilities refer to the high standard of living to workers, higher productivity and income to the organisation, more revenue to the government, reasonable price to consumers and fair return on investment to the investors. These could be achieved with the

253

help of effective leadership. Only an efficient leader can get work done to fulfil social responsibilities.

3.6 TECHNIQUES OF LEADERSHIP

A leader can use a number of techniques to extract work from his followers. Some of the techniques are discussed below:

1. Securing co-operation

A leader should get co-operation from his followers. Unless he enlists their co-operation, he cannot succeed. There must be a willingness on the part of both parties. The leader must convince each follower to extend co-operation. Both leaders and their followers must have interest in the growth of an enterprise. First, the leader himself extends his co-operation to his followers. The leader must treat his followers as co-workers and not as followers.,

2. The use of power

Leadership goes with power. It cannot exist without power. So the leader must use his power which subsequently results in getting things done by others. At the same time, the leader should use power only.to safeguard the interests of the enterprise. Some leaders expect more powers than required. It is not advisable. On the other hand, a leader can achieve the goals with the available power.

3. Co-ordination

A leader can co-ordinate the activities of his followers through orders or commands. Definite, flexible and open orders alone coordinate the activities. Definite order means that an order is not oral and the terms used in definite order have unequivocal meaning. In the case of flexible order, only goals are communicated. Next, the followers achieve the goals by using the pre-determined time. A leader specifies the goals and leaves the other details to his followers in open order.

An order fulfils its purpose only when it is properly received and understood. The receiver must know the expectation of the issuer. Then only proper results will be obtained.

4. Discipline

Discipline is nothing but the adherence to rules, regulations and procedures. Discipline should be maintained to achieve the objectives. Individuals are restricted from doing things which are detrimental to the group interests. If a particular follower is violating the rules, he may be penalised. The very success of leadership and organisation depends upon the maintenance of discipline.

5. Morale

Leighton has defined morale, as the capacity of a group to pull together persistently and consistently for a common goal. "Morale is the attitude of an individual and group growing out of the conditions under which he or they complete the job effectively." The leader should create confidence in the minds of his followers. Here, confidence is necessary to both the leader and the followers. A leader has confidence in his followers and vice versa. Mental maturity plays an important role in creating confidence. Having confidence ensures effective performance of a job.

3.7 LEADERSHIP STYLE

The word style refers to the way of doing something. Leadership style refers to a leader's behavioural pattern which is reflected in his role as a leader. Leadership style is the result of his attitude, value system, personality and philosophy. It also depends upon the followers and the organisational climate prevailing in the organisation. The success of a business unit depends upon the leadership styles followed by the leaders. Leadership style describes how a leader has relationship with his group. Some of the leadership styles are discussed below:-

1. Positive style

A leader motivates his followers to work hard by offering them rewards. A rule is framed in such a way that a reward will be ensured to those who show high efficiency. Positive leaders promote industrial peace. For example, higher bonus (bonus linked with wages) will certainly increase efficiency of the workers. Wages are payable under piece rate system.

2.   Negative style

A leader forces his followers to work hard and penalises them if the work is not upto the organisation's standard. The penalty is given according to the performance. The penalty will be a severe one if the performance has more short comings. For example, if the manager gives ousting order for continuous absence from duty for ten days even though the worker is absent due to unavoidable circumstances. It is a negative style.

Negative style has high human cost. But, i£ is necessary in some circumstances. Under negative style, everybody tries to shift his responsibility over to others. Negative style leaders act more as bosses than leaders.

3. Autocratic or Authoritarian Leader

The autocratic leader gives orders which he insists shall be obeyed. He determines policies for the group without consulting them, and does not gives detailed information about future plans, but simply tells the groups what immediate steps they must take. He gives personal praise or criticism to each member on his own initiative and remains aloof from the group for the major part of the time. Thus, under this style, all decision-making power is centralized in the leader as shown in Fig. 3.1. Leader adopting this style stresses his prerogative to decide and order and subordinates' obligation to do what they are told to carry out. He does not give subordinates the freedom to influence his behaviour.
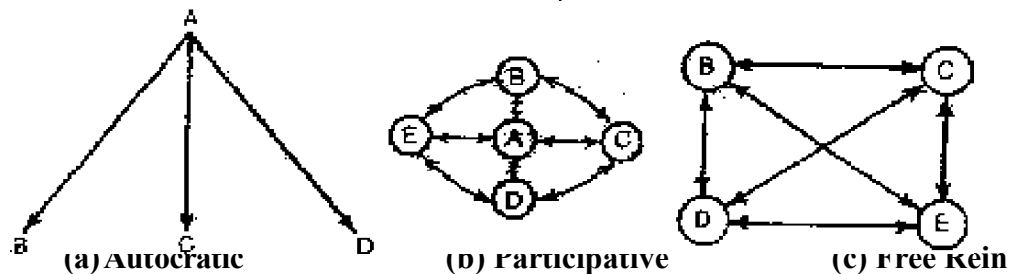

(a) Autocratic   (b) Participative   (c) Free Rein

Fig. 3.1 Types of Leadership Styles (A is the leader)

Autocratic leadership has negative influence because followers feel uninformed, insecure and are afraid of leader's authority. Such a leader may be called strict autocrat who relies on negative influences and gives orders which the subordinates must accept. Leadership can be positive also because the leader may use his power

256

to disperse rewards to his group. When his motivational style is effective in getting high productivity in many situations and he can develop effective human relationships in getting high productivity. There is another type of autocratic leader, known as manipulative autocrat, who makes the subordinates feel that they are participating in decision-making process even though he has already taken the decision to.

Thus, autocratic leader makes his subordinates act as he directs and does not permit his subordinates to influence his decision. He assumes that people basically work for money and want security. Because of such assumptions about human beings, he exercises tight control and supervision over his subordinates. But these assumptions do not hold well in all the situations. If the motivational style is negative, people will dislike it. Frustration, low morale and conflict develop easily in autocratic situations.

Autocratic management has been successful because it provides strong motivation to the manager. It permits quick decision-making as only one person decides for the whole group. It has also been successful in such situations where subordinates are reluctant to take initiative. In industry, this style is quite common and has often succeeded. In future, if is less likely to be effective because:

1.   The new generation is less amenable to rigid direction and control;

2.   The standard of living of people is rising; and

3.   There is now social awareness among the people; they look for social and egoistic satisfaction from their jobs.

(ii) Participative or Democratic Leader

A democratic leader is one who gives orders after consulting the group, sees to it that policies are worked out in group discussions and with the acceptance of the group. He never asks people to do things without sketching out the long-term plans on which they are working. He makes it clear that praise or blame is a matter for the group and participates in the group as a member. Participative leadership style favors decision-making by the group as shown in Figure 16.1(b) sharing of power by allowing the group to make decisions and to let decisions emerge from the group. Participative manager decentralises managerial authority. His decisions are not unilateral as with the autocrat because they arise from consultation with the group members and participation

257

by them. Unlike an autocratic manager who controls through the authority he possesses, a participative manager exercises control mostly by using forces within the group. Some of the advantages of participative leadership are:

1. It increases the acceptance of management's ideas;

2. It improves the attitude of employees towards their jobs and the organization;

3. It increases the cooperation between management and employees;

4. It leads to reduction in the number of complaints and grievances; and

5. It increases the morale of the employees.

(iii) Free Rein or Laissez Faire Leader

Such a leader does not lead, but leaves the group entirely to itself. He is represented by the chairman of the board who does not manage, but leaves all responsibility for most of the work to his subordinates. The free rein leader depends largely upon the group to establish its own goals and work out its own problems. Group members work themselves and provide their own motivation. The manager exists as a contact man with outsiders to bring for his group the information and resources it needs to accomplish its job.

Free rein management ignores the manager's contribution approximately in the same way as the autocratic management ignores that of the group. It fails to give the group the advantages of leader's inspired motivation. The leader completely abdicates his leadership position, gives all responsibility and most of the work entrusted to him to the group which he is supposed to lead, limiting his authority to maintain the contact of the group with persons outside the group. This is also known as permissive style of leadership, where there is least intervention by the leader, abdication of authority and letting the group to operate entirely on its own. This mode of direction can produce good and quick results, if the subordinates are highly educated and brilliant people who have a sincere desire to go ahead and perform their responsibilities.

There is one more style of leadership popularity known as Paternalistic Leadership. Under this, the leader assumes that his function is paternal or fatherly. His attitude is that of treating the relationship between the leader and his group as that of family with the leader as the head of family. He works to help, guide, protect and keep his followers happily working together as members of a family. He provides them with good working conditions, fringe benefits and employee services. This style has been successful particularly in Japan because of its distinct cultural background. It is said that employees under such leadership will work under out of gratitude. However, in the modern complex industrial relations system, this attitude may not result in maximum motivation. Instead of gratitude, it might generate resentment among the subordinates.

In practice, a leader may use all styles over a period of time, but one style tends to predominate as his normal way of using power. For example, a factory supervisor who is basically autocratic, may be participative in determining vacation schedules and free rein in selecting a departmental representative for safety committee. It should be noted that this classification is not scientific. In practice, a leader adopts a combination of styles because there are thousands of in-between styles of power which each manager applies in his own way. Power use exists along a continuum ranging from total power to no power use at all; and effective managers usually show some flexibility along this continuum.

3.8 LEADERSHIP THEORIES

Leadership has probably been written about, formally researched, and informally discussed more than any other single topic. Despite all the attention given to it, leadership still remains pretty much of 'black box' or unexplainable phenomenon. It is known to exist and to have tremendous influence on human performance, but its inner workings and specific dimensions cannot be precisely spelled out.

Many of the research studies, particularly by behavioural scientists, have been carried on to find out the answer of the question. These researchers, however, could not give a satisfactory answer of the question. Instead, their researchers have resulted in various theories or approaches on leadership, the prominent among these being trait theory, behavioural theory, and situational theory. Besides, age-old theory of leadership known

as 'great man theory' or 'charismatic leadership theory', which was discarded long back by behavioural scientists, has started attracting attention recently. Each of these theories has its own contributions, limitations, assumptions, and framework of analysis. In this section, we shall discuss these theories so that a background can be provided to the study of leadership styles which leaders may adopt to influence the behaviour of their followers. The discussion of these theories is based on the sequence in which these have emerged.

1. Charimastic Leadership Theory

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. They provided some insights of leadership. Subsequent studies based on these insights have suggested that 'a leader is born and is not made.' A leader has some charisma which acts as influencer. Charisma is a Greek word meaning gift. Thus, charisma is a God-gifted attribute in a person which makes him a leader irrespective of the situations in which he works. Charismatic leaders are those who inspire followers and have a major impact on their organisations through their personal vision and energy. Occasionally, a leader emerges whose high visibility and personal charisma catch the public consciousness.

Robert House, who proposed a relook on charismatic theory, suggests that charismatic leaders have very high levels of referent power and that some of that power comes from their need to influence others. According to him, "the charismatic leader has extremely high levels of self-confidence, dominance, and a strong conviction in the normal righteousness of his/her beliefs, or at least the ability to convince the followers that he/she possesses such confidence and conviction." He suggests further that charismatic leaders communicate a vision or higher-level goal (transcendent) that captures the commitment and energy of followers. The basic assumptions and implications of charismatic leadership theory are as follows:

- Leaders in general, and great leaders in particular, have some exceptional inborn leadership qualities which are bestowed upon them by the divine power.

- These inborn qualities are sufficient for a leader to be successful.

- Since these qualities are inborn, these cannot be enhanced through education and training. Further, since these qualities are of personal nature, these cannot be shared by others.

- These leadership qualities make a leader effective and situational factors do not have any influence.

Implications of the Charismatic Leadership Theory

Charismatic leadership theory has re-emerged basically for two reasons. First, many large companies in USA have embarked on organisational transformation programmes of extensive changes that must be accomplished in short period of time. Such transformations, it has been argued, require transformational leaders. Second, many feel that by concentrating on traits, behaviours, and situations, leadership theories have lost sight of the leaders. These theories discuss more about transactional leaders and not about transformational leaders. A transactional leader determines, what subordinates need to do to achieve objectives, classifies those requirements, and helps subordinates become confident that they can reach their objectives. A transformational leader inspires his followers through vision and energy. Trait, behaviroural and situational leadership theories fail to explain the reasons behind the deeds of great political leaders like Mahatma Gandhi, Lenin, etc. who transformed their nations, or our great industrialists like JRD Tata, GD Birla, Dhirubhai Ambani, who created vast industrial empires because of their vision, energy, and entrepreneurship. Charismatic leadership theory does that.

However, there are two basic limitations of this theory. First, if we assume that there are certain inborn qualities of a great leader, it implies that nothing can be done to develop leaders in the organisations. In fact, its opposite is also true. Through various training and development programmes, leaders, though not the great leaders, can be developed in the organisations. Second, a charismatic leader may fail in the changed situation. For example, Winston Churchill, the late prime minister of Great Britain, was very effective during the World War II, but he flopped afterwards. Thus, we can derive that the situational variables play their own role in determining leadership effectiveness.

261

2. Trait Theory

The weaknesses of charismatic leadership theory gave way to a more realistic approach to leadership. Under the influence of the behaviouristic psychological thought, researchers accepted the fact that leadership traits are not completely inborn but can also be acquired through learning and experience. Trait is defined as relatively enduring quality of an individual. The trait approach seeks to determine 'what makes a successful leader' from the leader's own personal characteristics. From the very beginning, people have emphasised that a particular individual was a successful leader because of his certain qualities or characteristics. Trait approach leadership studies were quite popular between 1930 and 1950. The method of study was to select leaders of eminence and their characteristics were studied. It was the hypothesis that the persons having certain traits could become successful leaders.

Various research studies have given intelligence, attitudes, personality and biological factors as ingredients for effective leaders. A review of various research studies has been presented by Stogdill. According to him, various trait theories have suggested these traits in a successful leader : (i) physical and constitutional factors (height, weight, physique, energy, health, appearance); (ii) intelligence; (iii) self-confidence; (iv) sociability; (v) will (initiative, persistence, ambition); (vi) dominance; and (vii) surgency (talkative, cheerfulness, geniality, enthusiasm, expressiveness, alertness, and originality). In a later study, Ghiselli has found supervisory ability, achievement motivation, self actualising, intelligence, self-assurance, and decisiveness as the qualities related with leadership success.

The current theory on leadership traits suggests that some factors do help differentiate leaders from non-leaders. The most important traits are a high level of personal drive, desire to lead, personal integrity, and self-confidence. Cognitive (analytical) ability, business knowledge, charisma, creativity, flexibility, and personal warmth are also frequently desired. Anderson Consulting (a management consultancy firm) conducted a study of 90 global chief executives to find out the qualities required for an ideal chief executive in the present era of globalised economy. The study highlighted 14 qualities. Accordingly, a chief executive thinks globally, anticipates opportunity, creates a shared vision, develops and empowers people, appreciates cultural diversity, builds teamwork and partnership, embraces change, shows

technological savvy, encourages constructive challenge, ensures customer satisfaction, achieves a competitive advantage, demonstrates personal mastery, shares leadership, and lives the values. The various studies show wide variations in leadership traits. The various traits can be classified into innate and acquirable traits, on the basis of their source.

Innate qualities are those which are possessed by various individuals since their birth. These qualities are natural and often known as God-gifted. On the basis of such qualities, it is said that the 'leaders are born and not made'. These qualities cannot be acquired by the individuals. The following are the major innate qualities in a successful leader.

- **Physical Features**. Physical features of a man are determined by heredity factors. Heredity is the transmission of the qualities from ancestor to descendant through a mechanism lying primarily in the chromosomes of the germ cells. Physical characteristics and rate of maturation determine the personality formation which is an important factor in determining leadership success. To some extent, height, weight, physique, health and appearance are important for leadership.

- **Intelligence**. For leadership, higher level of intelligence is required. Intelligence is generally expressed in terms of mental ability. Intelligence, to a very great extent, is a natural quality in the individuals because it is directly related with brain. The composition of brain is a natural factor, though many psychologists claim that the level of intelligence in an individual can be increased through various training methods

Acquirable qualities of leadership are those which can be acquired and increased through various processes. In fact, when a child is born, he learns many of the behavioural patterns through socialisation and identification processess. Such behavioural patterns are developed among the child as various traits over a period of time. Many of these traits can be increased through training programmes. Following are the major qualities essential for leadership :

263

- **Emotional Stability**. A leader should have high level of emotional stability. He should be free from bias, is consistent in action, and refrains from anger. He is well-adjusted, and has no anti-social attitudes. He is self-confident and believes that he can meet most situations successfully.

- **Human Relations**. A successful leader should have adequate knowledge of human relations, that is, how he should deal with human beings. Since an important part of a leader's job is to develop people and get their voluntary cooperation for achieving work, he should have intimate knowledge of people and their relationship to each other. The knowledge of how human beings behave and how they react to various situations is quite meaningful to a leader.

- **Empathy**. Empathy relates to observing the things or situations from others points of view. The ability to look at things objectively and understanding them from other's point of view is an important aspect of successful leadership. When one is empathetic, he knows what makes the other fellows think as they do, even though he does not necessarily agree with others' thoughts. Empathy requires respect for the other persons, their rights, beliefs, values and feelings.

- **Objectivity**. Objectivity implies that what a leader does should be based on relevant facts and information. He must assess these without any bias or prejudice. The leader must base his relationship on his objectivity. He is objective and does not permit himself to get emotionally involved to the extent that he finds it difficult to make an objective diagnosis and implement the action required.

- **Motivating Skills**. Not only a leader is self-motivated but he has requisite quality to motivate his followers. Though there are many external forces which motivate a person for higher performance, there is inner drive in people also for motivation to work. The leader can play active role in stimulating these inner drives of his followers. Thus, a leader must understand his people to the extent that he knows how he can activate them.

- **Technical Skills**. The leading of people requires adherence to definite principles which must be understood and followed for greater success. The ability to plan, organise, delegate, analyse, seek advice, make decision, control, and win cooperation requires the use of important abilities which constitute technical competence of leadership. The technical competence of leader may win support from the followers.

- **Communicative Skills**. A successful leader knows how to communicate effectively. Communication has great force in getting the acceptance from the receivers of communication. A leader uses communication skilfully for persuasive, informative, and stimulating purposes. Normally, a successful leader is extrovert as compared to introvert.

- **Social Skills**. A successful leader has social skills. He understands people and knows their strengths and weaknesses. He has the ability to work with people and conducts himself so that he gains their confidence and loyality, and people cooperate willingly with him.

Though all these qualities contribute to the success of leadership, but it cannot be said for certain about the relative contributions of these qualities. Moreover, it is not necessary that all these qualities are possessed by a successful leader in equal quantity. The list of qualities may be only suggestive and not comprehensive. Leadership is too nebulous a concept to be definitely identified by listing of its important attributes.

Implications of the Trait Theory

This theory has two very important implications. First, the theory emphasises that a leader requires some traits and qualities to be effective. Second, many of these qualities may be developed in individuals through training and development programmes. However, the theory suffers from two sets of limitations: generalisation of traits and applicability of traits.

Generalisation of Traits. There are problems in identification of traits which may be relevant for a leader to be effective in all situations. For example, Jennings has concluded that, "fifty years of study has failed to produce a one-personality trait or set of qualities that can be used to discriminate leaders and non-leaders." A similar

comment comes from House and Baetz when they have concluded that the various studies on traits have failed to uncover any traits that clearly and consistently distinguish leaders and followers. Many other behavioural scientists hold similar views. From this point of view, the theory suffers from the following limitations:

1.   There cannot be generalisation of traits for a successful leader. This was evident by various researches conducted on leadership traits.

2.   No evidence has been given about the degree of the various traits because people have various traits with different degrees.

3.   There is a problem of measuring the traits. Though there are various tests to measure the personality traits, however, no definite conclusion can be drawn.

Applicability of Traits. Another set of problems that hinders the full application of trait theory in practice, is that leadership as a process of influence reflects in leader's behaviour and not in his traits. There have been many persons with traits specified for a leader, but actually they could not become effective leaders. The reason for this phenomenon is that there is no direct cause-effect relationship between a trait of a person and his behaviour. The trait may be only one of the factors shaping behaviour; the other factors, sometimes even more important, are situational variables. These situational variables are not incorporated in trait theory.

4.   Task-oriented characteristics-achievement need, responsibility, initiative, persistence.

5.   Social characteristics such as supervisory ability, cooperativeness, popularity, prestige, tact, diplomacy, acceptance of social responsibility.

6.   Inner motivation drive

7.   Maturity

8.   Open mindedness and adaptability

9.   Human relations attitude, fairness and objectivity.

266

3. Greatman Theory

The earliest leadership theories can be traced back to ancient times. Plato's Republic and Confucius's Analects dealt with leadership. Most of the early thinking on leadership suggested that "Leaders are born, not made." We may describe it "great-man approach" to leadership. This approach emphasised that a person is born with or without the necessary traits of leadership. This approach emphasised that a person is born with or without the necessary traits of leadership. Famous figures in the history are used by the supporters of this approach to prove its validity. For instance, Napoleon was said to have had the 'natural' leadership abilities to rise out of any situation to be a great leader. Great man approach actually emphasised "charismatic" leadership, charisma being the Greek word for gift. No matter what group such a natural leader finds himself in, he will always be recognised for what he is.

According to the great man theory of leadership, leadership calls for certain qualities like commanding personality, charm, courage, intelligence, persuasiveness and aggressiveness. These qualities are of such a nature that they can't be taught or learnt in a formal sense. One either has or does not have these qualities. The implications of this approach are as follows :

(i)   Leaders in general and great leaders in particular are born and not made. They have certain inborn leadership qualities which are bestowed on them by the divine power.

(ii)   The inborn leadership qualities alone are necessary and sufficient for a leader to be successful.

(iii)   Ordinary persons cannot aspire to become leaders and attain greatness.

(iv)   Leadership qualities cannot be acquired through formal education.

(v)   Leadership qualities and effectiveness are independent variables. Situational factors such as nature and needs of followers and general socio-economic environment have little influence on a leader's effectiveness.

Modern theorists argue that there is nothing inborn, divine or mysterious about leadership qualities. Such qualities could be learnt also through training and experience.

It is a wrong view that success of a leader depends merely on his inborn qualities and not on acquired knowledge and experience. For instance, Hitler, an obscure house painter in his youth, rose to power in Germany apparently by sheer force of personality. But as a soldier during First World War, he never rose higher than corporal even when heavy casualties created many new openings. This shows that he did not get leadership qualities by inheritance. Under modern complex business conditions, success in management cannot be thought of without formal and informal acquisition of management knowledge and training. Management education helps to brighten the inborn qualities of the managers. If an organization wants to have good managers who are capable of leading and guiding the human resource effectively, it can do so only through management education and training.

Leadership qualities by themselves are not sufficient for achieving effectiveness. Situational factors have a considerable influence on both the emergence and the effectiveness of leaders. A leader may be effective in one situation and ineffective in another. Thus, it cannot be accepted that leadership is a single trait of personality that will make itself felt under all circumstances and with all types of people at all times. The great-man theory of leadership does not provide a scientific, verifiable and predictable explanation of why, how and when leaders emerge and become effective and what critical qualities are required for achieving greatness in leadership.

Some people feel that just as there are born singers and artists in various fields, there could also be born leaders. It is difficult to completely rule out the inborn or genetic nature of certain leadership qualities. We find leaders with certain inborn qualities in various fields who bend situational factors to their advantage. But at the same time, it is also true that leadership qualities can be acquired through education and training. Leadership are made out of those individuals who have the potential to acquire leadership attributes.

4. Group and Exchange Theory of Leadership

In 1969 Hollander and Jullian stated that the leader provides more benefits for the followers or regards them burden or costs who help him achieve the goals of the organization. According to them, there must be a positive exchange between the leader and followers in order for group goals to be accomplished. The rewards

268

given by the leader in form of praise increase in pay, promotion, etc. help in the accomplishment of group goals. The rewards have positive impact on attitudes, satisfaction and performance of the followers, who in turn give due regard and respect to leader. Leader emphasizes initiating structure when followers do not perform well and on the contrary leader increases his emphasis on consideration when followers perform the job well. Thus, to this theory, if the exchange between leader and followers is positive, it leads to mutually beneficial relationship.

5. **Social Learning Theories**

In 1977 Bandura stated that there is a continuous reciprocal interaction between person, environment and behaviour, as shown in Figure 3.2.
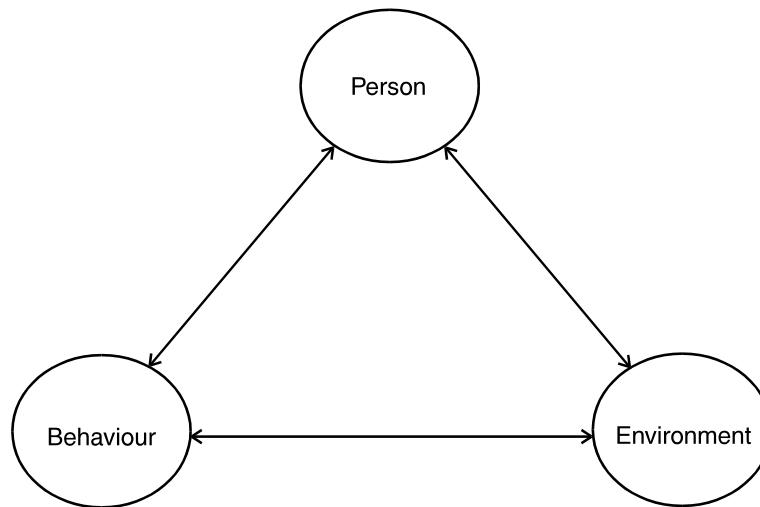

Fig. 3.2 Reciprocal Determinism in Social Learning

Environment and person function in conjunction with behaviour and vice versa. A person through his deeds or actions, produces the environmental conditions that affect his behaviour, in a reciprocal manner. The experience thus generated by his behaviour partly influences what a person becomes and can do, thus determine his future behaviour. This theory is called social learning because individual learns in social environment the process of interacting with each other.

The important aspect of this theory of leadership are that leader knows how his behaviour is controlled by various needs, situations and experience that he undergoes. The

269

subordinates and leaders jointly attempt to discover ways to which they can manage their individual behaviour to produce mutually as well as organisationally satisfying productive outcomes. The subordinates and leader follows an interactive process, and are continuously aware of how they can modify or influence each other's behaviour. The social learning approach to leadership is shown in Figure 3.3.
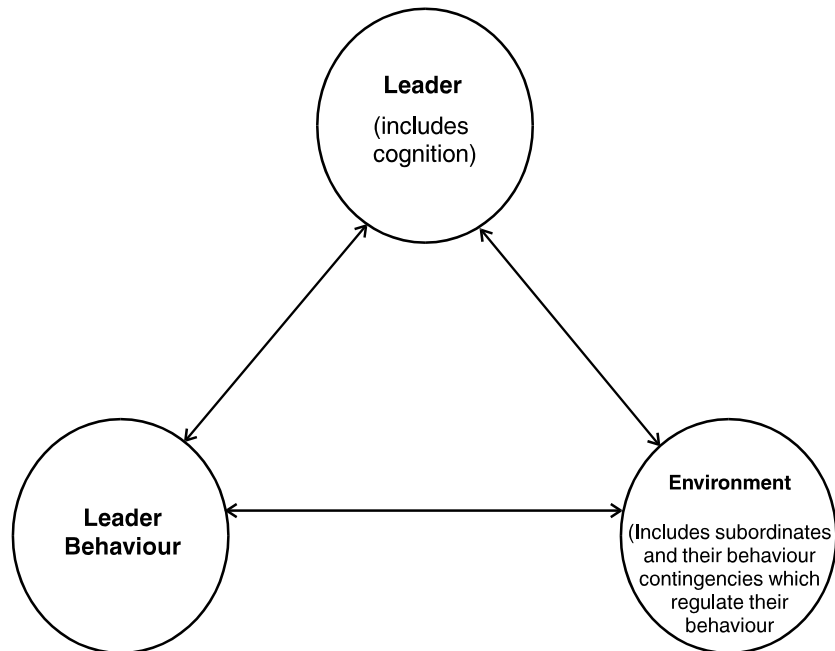

Fig. 3.3 Social Learning Approach to Leadership

6. Behavioural Theory of Leadership

Behavioural theories are those theories which propose that specific behaviour differentiates a leader from others. The behavioural approach is based on the premise that effective leadership is the result of effective role behaviour. Success in leadership depends more on what the leader does than on his traits. A leader uses conceptual, human and technical skills to influence the behaviour of his subordinates. There is a dynamic interaction between the leader and the followers, and leaders produce different styles while dealing with the workers.

The behavioural scientists don't concentrate on the traits of leaders; rather they study the activities of leaders to identify their behavioural patterns.

270

There are a number of studies that looked at behavioural styles. We shall briefly present the most famous studies, namely: (i) Ohio state group; (ii) University of Michigan group; and (iii) Managerial grid concept which is developed out of these two theories.

(i) Ohio State Leadership Studies: The leadership studies initiated by the Bureau of Research at Ohio State University attempted to identify various dimensions of leader Behaviour. Ultimately, these studies narrowed the description of leader behaviour to two dimensions: Initiating Structure and Consideration.
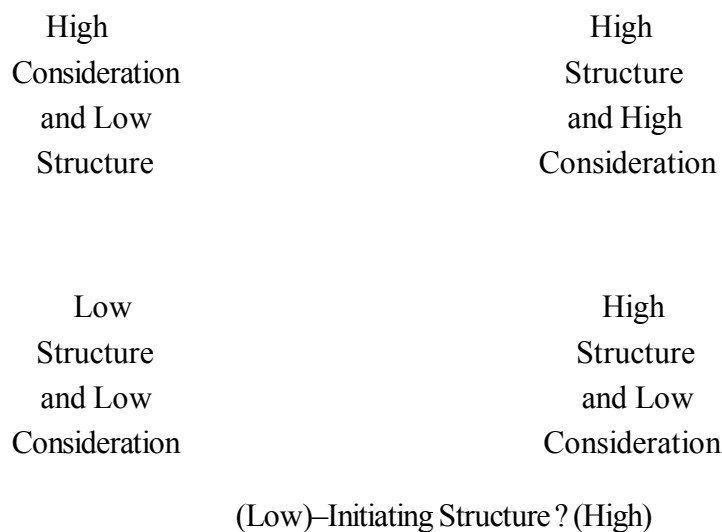
High Consideration and Low Structure	High Structure and High Consideration
Low Structure and Low Consideration	High Structure and Low Consideration

(Low)–Initiating Structure ? (High)

Fig. 3.4 Ohio Leadership

Initiating structure refers to the leader's behaviour in delineating the relationship between him and members of the work-group and in endeavoring to establish well-defined patterns of organisation, channels of communication and methods or procedures. On the other hand, consideration refers to behaviour indicative of friendship, mutual trust, respect, and warmth in the relationship between the leader and the members of his staff. The research studies also showed that initiating structure and consideration are two distinct dimensions and not mutually exclusive. A low score on one does not require high score on the other. Thus, leadership behaviour can be plotted on two separate axes rather than on a single continuum. The four

271

quadrants in Figure 3.4 show various combinations of initiating structure and consideration. In each quadrant, there is a relative mixture of initiating structure and consideration and a manager can adopt any one style.

(ii) Michigan Studies on Leadership:Leadership researches undertaken at the University of Michigan's Survey Research Centre had research objectives to locate behavioural characteristics of leaders that are related to measures of performance effectiveness. Likert and his group came up with two dimensions of leadership style that they labeled employee orientation and production orientation. The employee oriented leaders emphasized on interpersonal relations. They took personal interest in the needs of their subordinates and accepted individual differences among members. Whereas, the production-oriented leaders, tended to emphasise the technical or task aspects of the job. Their main concern was in accomplishing their group's tasks, and the group members were a means to that end. It was shown that the employees oriented style brought high productivity performance and job satisfaction compared to production-oriented style. Production-oriented leaders tended to be associated with lower group productivity and lower job satisfaction.

(iii) Managerial Grid: The two dimensions of leadership viz., concern for people and concern for production have been demonstrated by R. Blake and James S. Mouton in the form of a grid. The word 'grid' means an iron grating a frame-work of parallel bars. Blake and Mouton identified five basic leadership styles of practicing managers representing various combinations of the aforesaid two dimensions as shown in Figure 3.5. It is, however, important to point out that these basic styles are a convenience rather then a fact. A brief description of these styles is given below:

1. The 9.1 Managerial Style (Task): People are regarded as an instrument of production under the 9.1 managerial style. It is an autocratic style of leadership. The style places a heavy emphasis on task and job requirement. The use of power in the authority obedience is the basis of control. Human relationships and inter-actions are minimised. The relationship between the manager and his subordinates is based on the exercise of authority and obedience. Subordinates are expected to carry out order with an unquestioning obedience. They are taken as merely means for doing the tasks assigned to them. Little attention is given to their development or to communicating with them beyond the issuing of instructions or orders. When a

272

conflict erupts among the subordinates, the manager following this style tries to suppress it because of the possible ill-effects that conflict may have on the work. If the conflict is between a subordinate and the boss, the goal of the boss is to win.
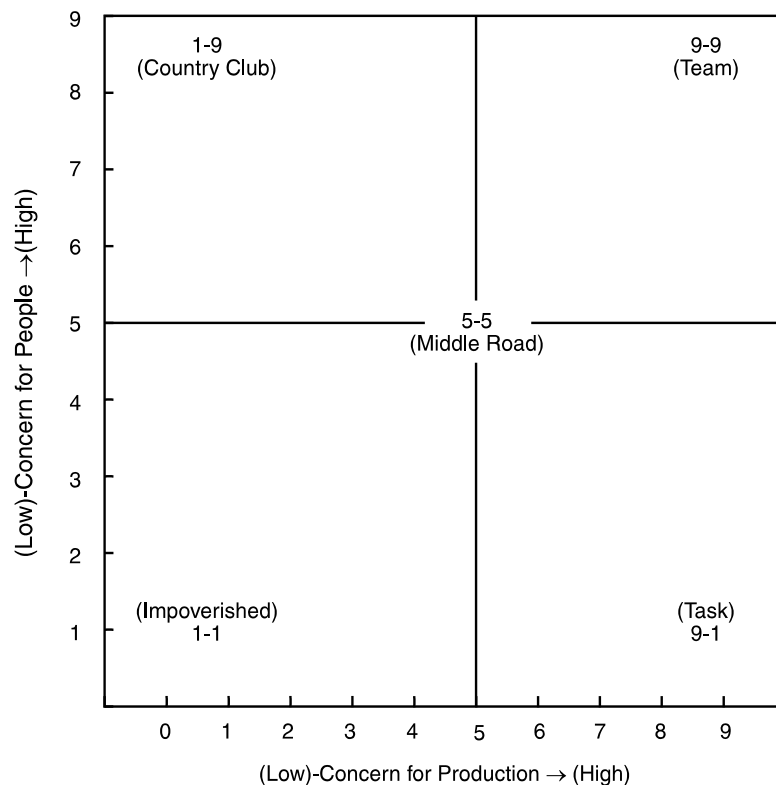

Figure 3.5.: Managerial Grid

Under this style of management, work is done leisurely. At best people are regarded rather than driven. Subordinates are expected to turn out some work to avoid trouble. The boss is more of a big brother than the autocratic leader. Social relationships are more important. The group, not the individual, is the key in the organisation. The aim is to achieve friendliness and harmony among the members of the organisation.

2 The 1-1 Managerial Style (Impoverished): A manager with this orientation exerts minimum influence on the contacts with group members. He expresses little concern for production or people. In a supervisory position, he is most likely to be found executing messenger-carrier functions, communicating orders from the layer above to the layer below. He is an expert in passing on blame to others for failures in such a way that he absolves himself from responsibilities, yet he rarely initiates criticism spontaneously. His criticism is

273

strictly in self-defence. Minimum involvement in organisation's purpose and with its people is all that he wants.

The 1-1 orientation stands for "message-carrying" minimum contact. Through minimum contract and non-involment, 1-1 style reduces the need to take active steps with respect to managerial responsibilities. The less such a manager sees his boss, the better it is. Subordinates or members of the group are left to find for themselves the ways of doing the job. Being present, yet absent, in the 1-1 orientation.

3. The 5-5 Managerial Style (Middle Road): The "people" dimension in the work situation is as important as the "production". The 5-5 style seeks to maintain a balance between the two. A basic assumption of this style is that people will work-willingly and so as they told if the reasons for doing so are explained to them. However, just enough is communicated so that people have a general sense of what is going on. If too much is told, it is feared that they might resist. Enough concern is shown for the people so that adequate production may be achieved. This is seen in the 5-5 approach to management development, communication, and performance reviews. Meetings are held to listen to their suggestions and to create a sense of participation in decision-making.

Another important aspect of 5-5 concern is the informal relationship. It does not just monitor the grapevine or oversee work performance but actively uses the informal system towards organisational purposes. For instance if a particular procedure, method or technique emerges from the informal system and if it proves to be a good organisation action, 5-5 style takes steps to formalise the informal action through the policy of putting it in writing so that it may become a part of formal operation.

4. The 9-9 Managerial System (Team): A basic need of people that is met by the 9-9 style is the need to be involved and committed to work. A major difference between 9-9 style and other managerial styles is in goal setting and its use as a basic management approach to a large variety of problems. The capability of people to be involved in organisational objectives through commitment to objectives is fundamental. In other words, the 9-9 orientation aims at integrating the people and production dimensions of work under conditions of high concern for growth. The key is the involvement and participation of those responsible for it in planning and

274

execution of work. This brings about the kind of team spirit that leads to high organisation accomplishment.

Each of the five styles given by Blake and Mouton points out the relative concern for production and people and implies that the most desirable leadership behaviour is 9-9 i.e., maximum concern for both production and people. It may be noted that the five positions emphasised in the Managerial Grid are rarely found in their pure form in actual life. That means, a manager may have a style of 8-2, or 4-6 or some other. Nevertheless, Managerial Grid is widely used as a means of managerial training and of identifying various combinations of leadership styles.

In essence, the Managerial Grid has given popular terminology to five styles within the four quadrants of the Ohio State Studies. However, there is one basic difference between the two. In Managerial Grid, 'concern for' is a predisposition about something or an attitudinal dimension. Thus, Managerial Grid tends to be an attitudinal model that measures the predispositions of a manager. On the other hand, Ohio State Studies framework tends to be a behavioural model that examines how leader actions are perceived by others. Both these frameworks can be combined as illustrated in Figure 3.6.
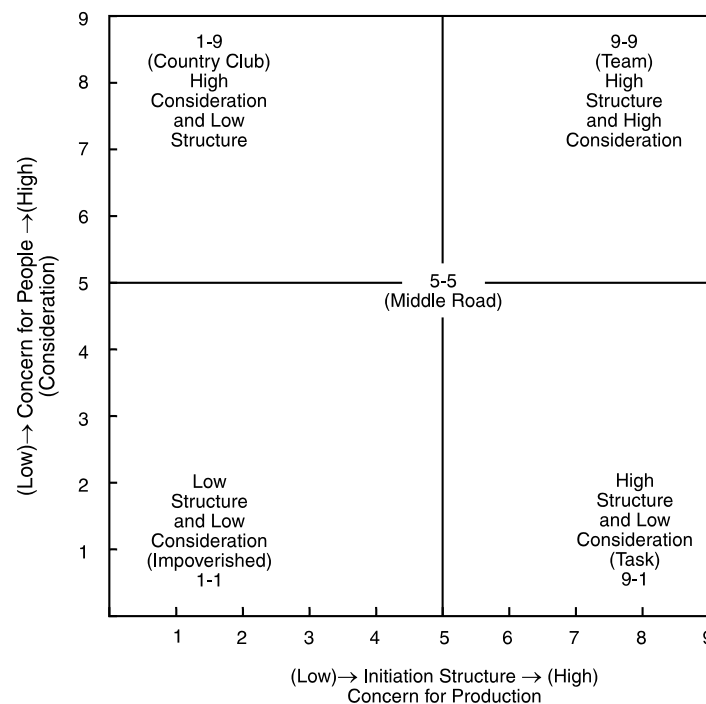

Fig. 3.6 Ohio State Studies and Managerial Grid Combination

275

7. Tri-Dimensional Leader Effectiveness Model

In 1970, Prof. W.J. Reddin added effectiveness dimension to the two dimensions of Managerial Grid and other models. This was done to integrate the concepts of leadership style with situational demands of a specific environment. When the style of a leader is appropriate to a given situation, it is termed 'effective' and when the style is inappropriate to a given situation, it is termed 'ineffective'. According to Reddin's 3-D Management Style Theory, three dimensional axes represent task orientation (similar to initiating structure or concern for production), relation orientation (similar to consideration or concern for people) and effectiveness orientation as illustrated in Figure 3.7.

The difference between the effective and ineffective styles is often not the actual behaviour of the leader but the appropriateness of the behaviour to the environment in which it is used. In fact, the third dimension is environment. It is the interaction of the basic style with the environment that results in a degree of effectiveness or ineffectiveness.
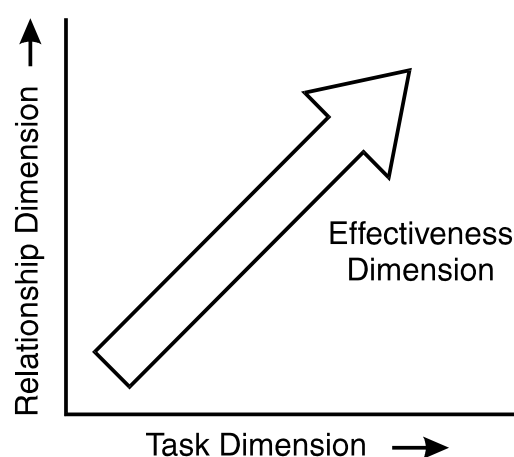

Fig. 3.7 Three Dimensions of Effective Leadership Style

8. Contingency Theories

The relationship between leadership style and effectiveness suggests that under condition a, style x would be appropriate, while style y would be more suitable for condition b, and style z for condition c, thus leadership effectiveness is dependent on the situations. The

contingency theories aim at studying the critical situational factors that affect leadership effectiveness.

Several approaches to isolating key situational factors have been attempted and we shall discuss the famous one:

        (a)   Fiedler Model.

        (b)   Hersey and Blanchard's Situational Theory.

        (c)   Leader-member Exchange Theory.

        (d)   The path-goal theory.

        (e)   Leader participation model.

(a) Fiedler's Contingency Model

The situational theory contends that there is no one best style of leadership universally applicable to all situations. A leadership style may be effective under any situation and ineffective under the other. According to the Leadership Contingency Model developed by Fred E. Fiedler three major situational variables exert powerful influence on the leader's behaviour and his effectiveness. Thus three variables are: (a) leader-follower relations. (b) task structure, i.e., the degree of structure in the task that the group has been assigned to perform, and (c) position power, i.e., the degree of informal power and formal authority enjoyed by the leader. These three variables determine whether a given situation is favourable or unfavorable to the leader. The favourableness of a situation may be defined as "the degree to which the situation enables the leader to exert his influence over his group."

Fiedler perceived eight possible combinations of the three situational variables as shown in Table 3.1. As a leadership situation varies from high to low on these variables, if it falls into one of the eight combinations of situations. The most favourable situation is one in which the leader-follower relations are very good, the leader enjoys great position, power and the task structure is well defined. On the other hand, the most unfavourable situation signifies that the leader is disliked, the leader has little position power and the task is unstructured.

277

Table 3.1: Fiedler's Situational Combinations

Situational Combination	Leader-Follower	Task Structure	Position Power	Situational Favorableness
1	Good	High	Strong	High
2	Good	High	Weak	
3	Good	Low	Strong	
4	Good	Low	Weak	
5	Poor	High	Strong	
6	Poor	High	Weak	
7	Poor	Low	Strong	
8	Poor	Low	Weak	Low

After having developed the framework for classifying group situations. Fiedler attempted to determine the most effective leadership style for each of eight situations. He came to the conclusion that:

(i) **Task-oriented leaders** tend to be most effective in situations that are either very favourable or very unfavourable to them.

(ii) **Relations-oriented leaders** tend to be most effective in situations that are intermediate in favourableness.

In general, high control situations (1, 2 and 3) calls for task oriented leadership because they favour the leader to take charge. A low control situation, as in combination 8, also calls for task-oriented leadership because it requires the leader to take charge. But the situational combinations 4, 5 and 6 represent moderate control situation which calls for relationship-oriented leadership, i.e., leader must get cooperation of their subordinates.

Thus, it is very difficult to suggest an ideal or normative style of leadership. We cannot blindly condemn or recommend autocratic or any other style of leadership ignoring the

prevailing situations and their favorableness. A leader can be effective only if he is able to adapt his style according to the dynamics of the situation variables.

Fiedler seems to be emphasizing a single continuum of leader-behaviour, suggesting that there are only two basic leader behaviour styles, viz., task-oriented and relationship-oriented. But evidence indicates that leader behaviour must be plotted on two separate axes rather than on a single continuum. Thus, a leader who is high on task behaviour is not necessarily low on relationship behaviour. Any combination of the two dimensions may occur.

Fiedler's model is considered as a significant contribution to the literature on leadership. It emphasises that leader's effectiveness is neither purely a matter of leadership qualities nor that of the type of situation. It is the result of an interaction between the two. The model brings out the fact that task oriented (autocratic) leaders should not be condemned out of hand. They are needed in some situations as identified earlier and can achieve good results. It does not give much credence to the argument that leaders can switch over from one style to another depending upon the nature of the situation.

(b) Hersey and Blenchard's Situational Theory

This theory is also called a contingency theory that focuses on the followers. Successful leadership is achieved by selecting the right leadership style, which is contingent on the level of the follower's maturity. Hersey and Blenchard identified two dimensions of leadership i.e., task and relationship behaviour, and each of these dimensions could be either high or low and they put forward four specific leadership styles as telling, selling, participating and delegating. There are as follows:

(i) Telling: (High task-low relationship). – The leader define roles and tells people what, how, when and where to do various tasks.

(ii) Selling (High task-high relationship). – The leader provides both directive behaviour and supportive behaviour.

(iii) Participating (Low task-high relationship). – The leader and follower share in decision making with the main role of the leader being facilitating and communicating.

279

(iv) Delegating (Low task-high relationship). – The leader provides little direction or support.

The final component of this theory is defining four stages of maturity :

M1.   People are both unable and unwilling to take up the responsibility to do something. They are neither competent nor confident.

M2.   People are unable but willing to do the necessary job roles. They are motivated but currently lack the appropriate skills.

M3.   People are able but unwilling to do what the leader wants.

M4.   People are both able and willing to do what is asked of them.

Figure 3.8 integrates all the components of situational leadership model.

Relationship behaviour → (High)	Low relationship and low task	Participating	Selling	High task and the low relationship
	Delegation	High relationship and	High task and High	Telling

(Low) ← Task Behaviour → (High)

	High	Moderate		Low
Mature	M4	M3	M2	M1	Imature

Maturity of Followers

Fig. 3.8: Situational Leadership Model

280

(c) Leader-Member Exchange Theory

The leader-member exchange (LMX) Theory argues that because of time pressure, leader establishes a special relationship with the small group of subordinates. Leaders create in-groups and out-groups, and subordinates with in-group status will have higher performance ratings, less turnover and greater satisfaction with their superiors.

(d) Path-goal Leadership Theory

This theory was put forward by Robert House in 1971. According to this theory, leader's job is to assist or smoothen his or her followers in attaining their goals and to provide the necessary directions. And it provides or clarifies the path to follow so that goal accomplishment is comfortable and easier. The Goal-path Model visualises four types of leader behaviour, (i) instrumental or directive, (ii) Supportive, (iii) Participative, and (iv) Achievement-oriented.

(e) Leader Participation Model

This model was developed by Victor Vroom and Phillip Yellow in 1973. The leadership-participation model is a leadership theory that provides a set of rules to determine the form and amount of participative decision making in different situations.

The model assumes that any of five Behaviour may be feasible in a given situation-Autocratic I (AI). Autocratic II (AII), Consultative I (CI), Consultative II (CII) :

AI. You solve the problem or make a decision yourself using information available to you at that time.

AII. You obtain the necessary information from subordinates and then decide on the solution to the problem yourself. You may or may not tell subordinates what the problem is when getting the information from them. The role played by your subordinates in making the decision is clearly one of providing the necessary information to you rather than generating or evaluating alternative solutions.

CI. You share the problem with relevant subordinates individually, getting their ideas and suggestions without bringing them together as a group. The you make the decision, which may or may not reflect your subordinates' influence.

281

CII. You share the problem with your subordinates as a group, collectively obtaining their ideas and suggestions. Then you make the decision that may or may not reflect your subordinates' influence.

9. Recent Theories of Leadership

Three more approaches have emerged recently which are useful in understanding the leadership and these are:

> (a) Attribution Theory of Leadership;
>
> (b) Charismatic Leadership; and
>
> (c) Transactional vs. Transformational Leadership.

(a) Attribution Theory of Leadership

Attribution theory says that leadership is merely an attribution that people make about other individuals. Lord et. al, have found that people characterize leaders as having such traits as intelligence, outgoing personality, strong verbal skill, aggressiveness, understanding and industriousness. One of the key theme in the attribution theory of leadership is the perception that effective leaders are generally considered consistent or unwavering in their decisions.

According to Powell and Butterfield the high-high leader (High on both initiating structure and consideration) has been found to be consistent with the attributions of what makes a good leader.

(b) Charismatic Leadership Theory

This theory is an extension of attribution theory. According to this theory, the followers make attributions of heroic or extra-ordinary leadership abilities when they observe certain behaviors. Robert House has identified three: extremely high confidence, dominance, and strong convictions in his or her beliefs. Charismatic leaders are often found to promote high performance and satisfaction amongst workers, and more significantly under crisis, politics, religion etc. Charismatic Leaders, in fact, may become a liability to an organisation once the crisis and need for dramatic change subside.

(c) Transactional vs. Transformational at Leadership

Transactional leaders are those who guide or motivate their followers in the direction of established goals by classifying role and task requirements. The Ohio State Studies, Fiedler's model, path goal theory and the leader-participation model are concerned with transactional leaders. But there is another class of leaders who inspire followers to transcend their own self interest for the good of the organisation, and extra-ordinary effect on the followers. These are called transformational leaders. The characteristics of transactional and transformational are given in Table 4.3.

10. Situational Theory

Situational leadership approach was applied, for the first time, in 1920 in the armed forces of Germany with the objective to get good generals under different situations. In the business organisations, much emphasis on the leadership researches was placed on the situations that surrounded the exercise of leadership since early 1950s.

The prime attention in situational theory of leadership (also known as contingency theory) is given to the situation in which leadership is exercised. Therefore, effectiveness of leadership will be affected by the factors associated with the leader and factors associated with the situation. These dimensions of leadership have been presented in Figure 3.10.
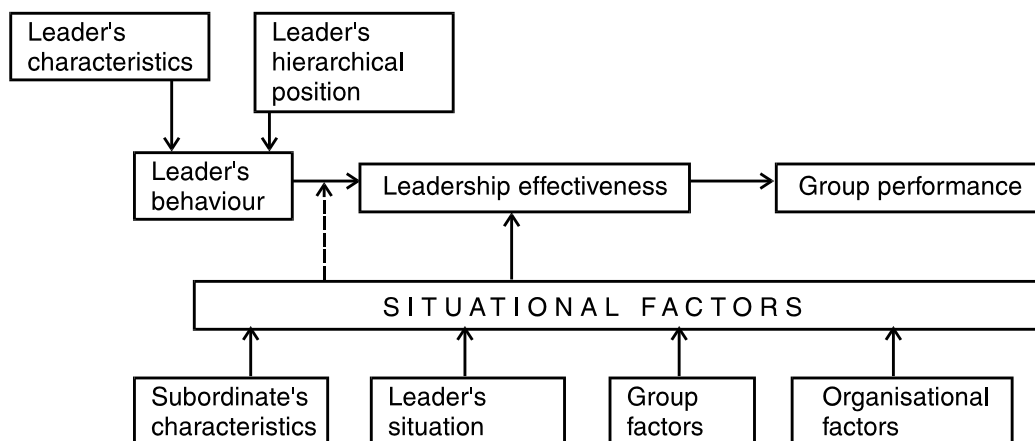

Fig. 3.10: Factors affecting leadership effectiveness

283

The various factors affecting leadership effectiveness may broadly be classified into two major categories: leader's behaviour and situational factors. The combination of both these factors determines leadership effectiveness. Let us discuss these factors and their impact on leadership effectiveness.

(A) Leader's Behaviour

Leader's behaviour is affected by two variables : leader's characteristics and his hierarchical position in the organisation.

1. Leader's Characteristics. An individual's behaviour is influenced by intelligence and ability, his characteristics like his personality characteristics, attitudes, interest, motivation, and physical characteristics such as age, sex, and physical features. Thus, the behaviour of the leader is also influenced by all these factors. All these factors are internal to the leader.

2. Leader's Hierarchical Position. Leader's hierarchical position in the organisation is important because persons at different levels face different kind of problems which affect the degree of participation between the superior and his subordinates in arriving at decisions to solve the problems. Managers at higher levels are more concerned with long-run complex problems which require more participation in decision making. Managers at lower levels are more concerned with short-run problems involving the daily operations which may not require high level of participation. The degree of this participation affects the leader's behaviour.

(B) Situational Factors

Besides the leader's related factors, leadership effectiveness is affected by situational factors as these factors affect the leader's behaviour. To the extent, a leader matches the requirement of these factors, his leadership will be effective. The various situational factors may be grouped into four categories: subordinate's characteristics leader's situation, group factors, and organisational factors.

1. Subordinate's Characteristics. Various factors which affect an individual's behaviour, as discussed in the case of the leader, are relevant for the subordinate too.

284

2. Leader's Situation. The leader's situation in respect to his subordinate is an important factor affecting leadership effectiveness. There are two main variables which determine the leader's situation: leader's position power and leader-subordinate relations. Leader's position power helps or hinders in influencing others. Thus, high-position power simplifies the leader's task of influencing others, while low-position power makes the leader's task more difficult. Another factor, that is, leader-subordinate relation is based on the classic exchange theory which suggests that there is two-way influence in a social relationship. Thus, good followers need to succeed in their own jobs with the help of the leader while helping their leaders to succeed at theirs. Thus, if the leader has good subordinates, and good relations with them, he is likely to be more effective.

3. Group Factors. Various group factors like task design, group composition, group norms, group cohesiveness, and peer-group relationship affect leadership effectiveness and performance. If these factors are favourable the leader will be effective.

4. Organisational Factors. Organisational factors like organisational climate and organisational culture affect leadership effectiveness. If these are conducive, the leader will be effective.

(C) Implications of the Theory

Situational theory has wide implications for managers in the sense that it offers clues why a manager who is successful in one situation, fails when there is change in the situation. Therefore, the managers may do better by adopting management practices including leadership which match with the situational variables. In fact, the systems and contingency approach has become the way of thinking in management and leadership is no exception.

This theory, however, should not be taken as the final word in leadership. The theory appears to be good on the surface but becomes quite complex in practice because of the presence of numerous contingent factors. However, managers can overcome this problem by diagnosing these factors suitably. There appears to be one more important lacuna in this theory. The theory loses the insight of leadership and the leader is overwhelmed by the contingent factors.

3.9 DIFFERENCE BETWEEN LEADERSHIP AND MANAGEMENT

From the above definitions and characteristics of leadership, it can be observed that leadership and management are related but they are not the same. A person can be an effective manager, a leader, both, or neither. This is due to the fact that leadership differs from management on some counts. John Kotter has identified that leadership differs from management in terms of the emphasis that is put on four activities—creating an agenda, developing a human network for achieving the agenda, executing plans, and outcomes of activities. While leadership emphasises change in these activities, management believes in *status quo*. The difference between leadership and management is discussed as follows:

1. Leadership deals with vision—keeping the mission in sight—and with effectiveness and results. Management deals with establishing structure and systems to get those results. It focuses on efficiency, cost-benefit analysis, logistics, methods, procedures, and policies.

2. Leadership focuses on the top line; management focuses on the bottom line. Leadership derives its power from values and correct principles. Management organises resources to serve selected objectives to produce the bottom line.

3. Leadership inspires and motivates people to work together with a common vision and purpose. Management involves controlling and monitoring results against plans, identifying deviations, and then planning and organising to solve the problems.

4. Leadership emphasises transformational aspect and, therefore, transformational leadership emerges. Management focuses on transactional aspect and, therefore, transactional leadership emerges. Transformational leadership is the set of abilities that allow the leader to recognise the need for change, to create a vision to guide that change, and to execute that change effectively. Transactional leadership involves routine, regimented activities—assigning work, evaluating performance, making decisions, and so forth.

286

Based on the above discussion, difference between leadership and management can be summarised as shown in Table 3.2.

TABLE 3.2: Difference between leadership and management

Factors	Leadership	Management
Source of power	Personal abilities	Authority delegated
Focus	Vision and purpose	Operating results
Approach	Transformational	Transactional
Process	Inspiration	Control
Emphasis	Collectivity	Individualism
Futurity	Proactive	Reactive
Type	Formal and informal	Formal

3.10 SELF ASSESSMENT QUESTIONS

1. Explain the meaning leadership with the help of definitions.

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   _____

2. Discuss the styles of leadership, pointing out merits and demerits of each.

   _____

   _____

   _____

3. Differentiate between leadership and management.

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287

4.   Explain in detail various theories of leadership.

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3.11 BOOKS RECOMMENDED

- LM Prasad : Principles and Practice of Management (Sultan Chand & Sons)

- Gupta, Sharma and Bhalla: Principles and Practices of Management (Kalyani Publishers)

- T. Ramasamy: Principles of Management (Himalaya Publishing House)

- George R Terry : Principles of Management (Richard D Irwin Inc)

- Harold Koontz and Heizweihrich : Essentials of Management (Mcgraw Hill series in Management)

- Peter F Drucker : Frontiers of Management (Heinemann London)

- Peter F Drucker : Managing for future (Tata Mcgraw Hill)

- J.S. Chandan : Management theory and Practice (Vikas Publishing House Pvt Ltd.)

COORDINATION AND CONTROLLING

Objective:

After going through this lesson, you should be able to:

- Describe the meaning of coordination and its characteristics

- Explicate the importance of coordination

- Explain the concept of controlling and its nature

- List out the steps in the process of controlling

- Illustrate the various types of controlling

- Define the meaning of Management by Objectives (MBO)

- Recognise the importance of MBO

Structure:

4.1 Introduction

4.2 Meaning and Definition of coordination

4.3 Features and Characteristics of coordination

4.4 Objectives of coordination

4.5 Need and importance of coordination

4.6 Types of coordination

4.7 Principles of coordination or Essentials of effective Coordination

4.8 Meaning of Controlling

4.9 Characteristics of Controlling

4.1 INTRODUCTION

Various departments or sections are assigned different tasks to perform. They are assigned on the basis of their specialisation. Employees of each department perform their duties with a view to achieving common objectives collectively. It is co-ordination. Co-ordination is the process which ensures smooth interplay of the functions of management. Common objectives are achieved without much wastage of time, efforts and money with the help of co-ordination.

A modern enterprise consists of a number of departments. In olden days, the enterprise was divided into departments such as purchase, production, sales, finance and accounts. But, now days, the enterprise is divided into the following departments: purchase,

production, sales, finance, account, personnel, research and development, public relations and the like. The classification of departments is very large at present. So the importance of co-ordination has subsequently increased.

4.2 MEANING AND DEFINITIONS OF COORDINATION

When the organisation structure is designed and various organisational units are created, a problem emerges as to-how to synchronise the operation of these units and people working therein so that they contribute their maximum to achieve organisational objectives. We have seen in the previous section that, often, conflicts emerge among various organisational functions and individuals. In order to overcome these problems, coordination is needed which is an integration or synchronisation of group efforts in the organisation.

Theo Haimann has defined coordination as follows:

"Coordination is the orderly synchronising of efforts of the subordinates to provide the proper amount, timing, and quality of execution so that their unified efforts lead to the achievement of the stated objective, namely the common purpose of the enterprise."

Glueck has presented coordination in the form of human and structural mechanism when he views that: "Coordination is a set of human and structural mechanism designed to link the parts of the enterprise together to help achieve the specified objectives."

J. Lundy, "Co-ordination involves the development of unity of purpose and the harmonious implementation of plans for the achievement of desired ends."

Henry Fayol, "To co-ordinate is to harmonise all the activities of a concern so as to facilitate its working and its success. In a well co-ordinated enterprise, each department or division, works in harmony with others and is fully informed of its role in the organisation. The working schedules of various departments are constantly tuned to circumstances."

Alan C. Reiley and James D. Mooney, "Co-ordination is the orderly arrangement of group effort, to provide unity of action in the pursuit of common purpose."

Orduray Tead, "Co-ordination is the effort to ensure the smooth interplay of the functions and forces of all the components and parts of an organisation to the end that its purpose will be realised with a minimum of friction and a maximum of co-operative effectiveness."

Koontz and O'Donnel, "It seems more accurate to regard coordination as the essence of managership for the achievement of harmony of individual efforts towards the accomplishment of group goals as the purpose of management. Each of the managerial functions is an exercise in co-ordination."

G.R. Terry, "Co-ordination deals with the task of blending efforts in order to ensure the successful attainment of an objective. It is accomplished by means of planning, organising, actuating and controlling."

Newman, "Co-ordination is a part of all phases of administration and that it is not a separate and distinct activity."

E.F.L. Brech, "Co-ordination is balancing and keeping the teams together by ensuring a suitable allocation of working activities to the various members and seeing that these are performed with due harmony among the members themselves."

4.3 FEATURES OR CHARACTERISTICS OF CO-ORDINATION

1. Not a separate function of management

Co-ordination is necessary in all functions of management. So, co-ordination is not a separate and distinct function of management.

2. Managerial responsibility

Every departmental head is responsible to co-ordinate the efforts of his subordinates. It is inherent in the managerial job and responsibility.

3. Provides unity of action

Unity of action is necessary to obtain common objectives. So, unity of actionals considered to be the heart of the co-ordination process.

4. Co-ordination is necessary to all levels of organisation

Co-ordination is not brought by force or left to chance. So, the top executives should take deliberate efforts to bring co-ordination.

5. Relevant of group efforts

Group efforts rather than individual efforts are necessary to bring co-ordination. An individual cannot work without affecting the functions of others. It emphasises the group efforts.

6. Continuous and dynamic process

Co-ordination starts with the planning process and ends with controlling process. In every organisation, a certain kind of coordination exists. Special efforts should be taken by the management to achievea high degree of co-ordination.

7. System concept-

An organisation is a system of co-operative efforts. Each department functions are different in nature and have interdependence in the organisation system. The organisation runs smoothly with the help of co-ordination. Thus, co-ordination is a system-concept.

4.4 OBJECTIVES OF CO-ORDINATION

Coordination is the epitome of management. As Chester Barnard has long back pointed out, coordination is a crucial factor in the survival of any enterprise. In organizations the needs for coordination arises because when a number of employees are working on a task, the only method of integrating and synchronizing their efforts is through coordination. It emerges as soon as the operation begins to be multiple or complex, by reason of the fact that more than one person is concerned with it. Objectives of coordination are:

293

(a)   Common purpose:

The chief objective of coordination is a common purpose. As Dalton Mc Farland contends the degree to which the organisation achieves its intended purpose is at least a partial index of the extent to which the chief executive has been able to coordinate it.

(b)   To coordination various groups:

In every enterprise rival groups of people can be formed. There is a need of bringing about coordination among the rival groups which sometimes tend to sabotage the coordination process.

(c)   To integrate individual & organisational goals:

It is very important for every enterprise to bring about coordination between organisational goals and individual goals. If an individual is diverting from the path of organization goals, he may be told immediately to mend his ways and try to achieve the objective of the organisation.

(d)   To integrate various activities:

Coordination pulls all the functions and activities together. In the absence of coordination the energies, resources, skills and intelligence of people, materials and financial resources cannot follow a specific direction. It is quite likely that the resources and people will be misused and misutilized.

(e)   Unity of action and direction:

Coordination brings unity of action and direction. It resolves effectively the dangerous conflicts between individual and organisational goals. The managerial function of coordination strives for unity of action in a setting characterized by baffling diversity of goals, perception, attitudes, personality, skills, intelligence, etc. without the desired degree of unity organisation will not be in position to attain the specified objectives.

(f)   To bring fusion among work units and authority centers:

Activities are divided and sub-divided in organisations. Such differentiation requires effective integration of activities. The integration is brought about by coordination in terms of fusion among differentiated work units and authority centers.

(g) Smooth flow of resources:

Modern organisations are considered as open systems. These open systems are characterized by information flows, resources flows and the flow of activities. Coordination ensures the smooth of resources into productive units and brings the required quantity and quantity of output.

(h) Resolves conflict:

It resolves conflicts between line and staff, interdepartmental and intradepartmental. This helps is resorting harmony in operations and achieving effectiveness of management.

4.5 NEED AND IMPORTANCE OF CO-ORDINATION

The effective performance of managerial functions requires co-ordination.

1.   Unity in diversity

Effective co-ordination is the essence of good management. There is large number of employees and each has different ideas, views or opinions, activities and background in a large organisation. Thus, there is a diversified activity in a large organisation where these diversified activities will be inefficient in the absence of co-ordination. So, co-ordination is the main element of unity in diversity.

2.   Term work or unity of direction

The efforts, energies and skills of various persons should be integrated as group efforts to achieve the objectives of organisation. In the absence of co-ordination, the group efforts may be diversified and fail to achieve the objectives. Besides, co-ordination eliminates the duplication of work which leads to economic and efficient management.

3. Functional differentiation

The organisation functions are divided department-wise or section-wise or division-wise. Each department performs different jobs. They are necessary to achieve the general objectives. Co-ordination ensures definite achievement of objectives. Each department tries to perform its function in isolation from others. It may create a problem. Therefore, co-ordination is necessary to integrate the functions of the related departments.

4. Specialisation

There is a high degree of specialisation in the modern indus-trial world. Specialists know thoroughly about their respective fields. They are able to judge the scope, nature and kind of work they perform. But they fail to know the job of others and the importance of others' performances. This tends to cause dispute among the specialists. Disputes may be solved with the help of co-ordination.

5. Reconciliation of goals

Each department or division has its own goals to achieve within the stipulated time. There are general goals in relation to an organisation. The employees who are working in the organisation also have their own goals. Individuals or employees give more importance to their own goals than to the department and organisational,goals. The department members give more importance to their own departmental goals than to the organisation goals. Therefore, co-ordination reconciles the employee's goals with both departmental and organisation goals.

6. Large number of employees

Large number of employees is working in large organisations. They have different habits, behaviour and approaches in a particular situation. Sometimes, they do not act rationally. Their behaviour is neither always well understood nor completely predictable. So, there is every possibility of problems arising in a complex organisation. All this makes co-ordination njiore essential.

7. Congruity of flows or congruent flows

Congruity of flows refers to the continuous flow of similar information from one direction to other directions. Information regarding the utilisation of resources, activities, using of authority and output is made to flow in an organisation. Co-ordination ensures the smooth and continuous flow of information.

8. Empire building

Empire building refers to top portion of line organisation. The line officers always expect co-operation from staff officers. But the line officers are not ready to extend their co-operation to staff officers. It creates conflicts between line officers and staff officers. Therefore, co-ordination is necessary to avoid conflicts between line officers and staff officers.

9. Differentiation and integration

The whole activity of every organisation is classified into two units. They are specialised and homogeneous units. Authority is delegated to the various levels of organisation. This is necessary to achieve group efforts. Co-ordination facilitates this process.

4.6 TYPES OF COORDINATION

Because of different types of organisational relationships as evident by various forms of organisation structure and authority relationships, various types of coordination are needed within an organisation. Besides, the organisation interacts with various constituents of its environment and, therefore, it requires coordinative relationship with these constituents. Thus, coordination may be classified in two broad categories: internal and external with different types of coordination in internal category.

1. Internal coordination

Generally, when we talk of coordination, we refer to internal organisational coordination. An organisation needs following types of coordination: vertical and horizontal, substantive and procedural.

2. Vertical and horizontal coordination.

Individuals interact vertically as well as horizontally in the organisation during their work performance. Therefore, they need coordination in both such interactions. In the vertical relationship, individuals are put in superior-subordinate positions except those that are at the top level and at the bottom level. Vertical coordination is required to maintain such relationships in orderly manner to get the job performed. Horizontal coordination is required to maintain synchronised operations of various departments, particularly those which have interdependent relationships, for example, production, marketing, personnel, finance, etc.

3. Substantive and procedural coordination.

Every work has two dimensions: substantive and procedural. Substantive dimension involves deciding what to do and procedural dimensions involve deciding how to do. In every organisation, both dimensions of work are required. Therefore, coordination on both dimensions is required. In substantive coordination, emphasis is put on how interrelated activities should be divided so that these are performed in synchronised way. For example, a production manager is responsible for manufacturing products that is conversion of raw materials into finished products through some operations. In order to do this work, he requires raw materials of specified quality, in specified volume, and at specified time. However, he may not have control over the procurement of raw materials as this activity may be entrusted to purchase department. Therefore, there is a need for coordinating between production and purchase departments in order to carry on the manufacturing operations. Procedural coordination involves prescribing the procedure for performing those activities which have impact on more than one department. For example, in the above case, procedure for procuring raw materials may be prescribed so that production department gets information about the status of materials procurement and this procedure is adhered to.

4. External coordination

External coordination is needed in organisation's external relationships with various parties. These parties may be investors and financiers, customers, suppliers, government agencies,

and so on. External coordination is required because an organisation works as input-output mediator; it takes various inputs—materials, energy, finances, personnel and supplies various outputs—products and services—to the environment. Success of input-output operation depends on the degree to which the organisation coordinates with various external factors as identified above.

4.7 PRINCIPLES OF CO-ORDINATION OR ESSENTIALS OF EFFECTIVE CO-ORDINATION

In order to ensure effective co-ordination, the co-ordination should be based on certain principles. They are briefly explained below:

1.   Early start

The co-ordination should be started even from the planning function of management. The management should prepare the plan after consulting the concerned officials. By this, the preparation of a plan and its implementation will be very easy for the management. Then, there will be no resistance from the concerned officials.

2.   Personnel contract

Oral communication brings two persons very close. It means, there is a possibility of personal contact. An agreement may be arrived on methods, actions and achievement of objectives through personal contact, Ideas, views, opinions, recommendations, feelings, etc. are conveyed to the receivers effectively through personal contact. Personal contact avoids controversy and misunderstanding. Thus, co-ordination is achieved through co-operation and mutual understanding and not by force, order or coercion.

3.   Continuity

Co-ordination is a must so long as the organisation continues to function. Co-ordination is the key stone of the organisational structure. So, co-ordination starts with planning and ends with controlling.

4.   Reciprocal relationship

This principle states that all factors in a situation are reciprocally related. Each factor influences other factors and is influenced by the other factors. Thus, the action of one employee influences the action of other employees and vice versa. So, there is a need for integration of all efforts, actions and interests.

5.   Dynamism

The external environment of business influences the internal activities of the business. Besides, the internal activities and decisions are changed according to the circumstances prevailing. So, co-ordination is modified according to the external environment and internal actions and decisions. Co-ordination should be a dynamic one.

6. Simplified organisation

Simplified organisation also facilitates effective co-ordination. The management can arrange the departments in such a way, to get better co-ordination among the departmental heads. If two sections or two department's functions are most similar in nature, these two departments are put under one executive incharge. This facilitates to get better co-ordination. Somebody recommended that if there are dissimilar functions between two sections or departments, these two departments should be handed over to only one executive. This will also ensure better co-ordination between the two departments. According to Keith and Gabelin, "even though certain activities are dissimilar, management may put them under a single executive because they need close co-ordination".

7. Self co-ordination

According to this principle, the function of one department affects other departments and in turn, is affected by the functions of other departments. The same department modifies its functions in such a manner that it may affect other departments favourably. In this way, co-ordination is achieved. There is a need for effective communication to get self-co-ordination. Effective communication facilitates a department to appraise the functions of another department.

8. Clear-cut objectives

The departmental heads should know clearly the objectives of the organisation. So, the management must take necessary steps to explain the objectives to the departmental heads. This is very useful in achieving the common objectives of the organisation collectively. Clear-cut objectives and clear explanation of objectives are bound to produce uniformity in action.

9. Clear definition of authority and responsibility

The management should clearly define the authority and responsibility of each individual and of each department. This will facilitate effective co-ordination in an organisation. Besides, it will reduce conflicts among the individuals. The department manager has enough authority to exercise over the subordinates who have violated the limits and other irregularities.

10. Effective communication

Effective communication is necessary for proper co-ordination. The individual and departmental problems can be solved with the help of co-ordination. In addition, the efforts of a staff are effectively utilised to achieve the objectives of the organisation.

11. Effective leadership

Effective leadership also helps in proper co-ordination. Leadership creates confidence in the minds of subordinates and increases the morale of the subordinates.

12. Effective supervision

Top executives should supervise the work of subordinates to ensure successful performance as planned. Top executives may entrust this type of work to the supervisors. When, the top executives find any deviation, they may take immediate steps to correct them with the help of supervisors. So, there is a need for co-ordination between the supervisors and the top executives. Thus, supervisors play an important role in co-ordination

4.8 MEANING OF CONTROL

Control is a universal and important function of management. It is to guide somebody or something in the direction in which it is intended to go. In this sense, control means the power or authority to direct, order or restrain. It also implies a standard of comparison for the results of any operation or experiment. In terms of managerial functions, control consists of the steps taken to ensure that the performance of the organisation conforms to the plans.

Haimann defines control as the process of checking to determine whether or not, proper progress is being made towards the objectives and goals and acting if necessary to correct any deviation.

According to **Brech**, "Control is the process of checking actual performance against the agreed standards or plans, with a view to ensuring adequate progress or satisfactory performance and also recording such experience as it gained as contribution to possible future needs."

Henry Fayol says, "In an undertaking, control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established. It has for object to point out weaknesses and errors in order to rectify them and prevent recurrence. It operates on everything—things, people and actions."

Billy E. Goetz, "Management control seeks to compel events to conform to plans."

Koontz and O' Donnel have defied controlling "as the measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectivies and the plans devised to attain them are being accomplished."

George R. Terry, "Controlling is determining what is being accomplished, that is, evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans."

Robert N. Anthony, "Management control is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of an organisation's objectives."

According to **Ernest Dale,** "The modern concept of control envisages a system that not only provides a historical record of what has happened to be the business as a whole but also pinpoints the reasons why it has happened and provides data that enable the chief executive or the departmental head to take corrective steps if he finds he is on the wrong track."

Mary Cushing Niles, "Control thus viewed, is an aspect and projection of planning whereas planning sets the course to the chosen courses or to an appropriately changed one."

Haynes and Massie, "Control is any process that guides activity towards some pre-determined goal. The essence of the concept is in determining whether the activity is achieving the desired results."

J.K. Rosen, "Control is that function of the system which provides direction in performance to the plans."

Dalton E. Mc Farland, "The presence in a business of that force which guides it to a pre-determined objective by means of predetermined policies and decisions."

In simple words, managerial function of control implies measurement of actual performance, comparing it with the standards set by plans and correction of deviations to assure attainment of objectives according to plans. Managerial control seeks to compel events to conform to plans as closely as possible. Control is applicable to all activities of business finance, purchasing, production, marketing, personnel, cost, quality, materials, etc.

4.9 CHARACTERISTICS OF CONTROL

1.   Control is an end function: Control is essentially a checkup measure. Without proper and effective control management process is incomplete and wasteful. It is the barest essential of every organization that wishes to survive and grow.

2.   Control is continuous process: Control is dynamic activity and is a never ending process. As long as organization exists, control continues to exist. Control is not static; it is dynamic in the sense it is amenable to change and hence is highly flexible.

3.   **Control is mainly forward looking:** Control aims at future. Past experience however is the criteria for future standards. Control not only aims at checking the current performance, it provides guidelines for future standards. Without effective control organisational growth is almost impossible. Further, operations and activities breakdown in the absence control.

4.   **Control is all pervasive function:** Control is essential at all levels of organisation. As planning is done at all levels, so is control. Control is the essential counterpart to planning. They are in fact, interwoven inextricably in actual practice.

5.   Control is a normative and positives force: Control is a normal means to achieve desired results. Control systems are used in organisations in a most effective way. For instance, astronauts make use of complex electronic controls to guide them to moon or any planet and back.

6.   Control guide behavior: Control system helps guiding and integrating employees' behavior towards boarder organisational goals. In the absence of provision of control least will be accomplished.

7.   Control allows organisation to Cope with Uncertainty: Effective control systems anticipate any shift in task and preferences of consumers and directs the organisations to modify its production to meet the requirements of the consumers.

4.10 TYPES OF CONTROL

Depending on the time at which control is applied, controls are of three types: Historical (feed-back), Concurrent and Predictive (feed-forward).

i)   Historical control: Traditionally control was viewed as historical. It is because most of the control methods measure results after performance. Control provides information as to how the goals of organisation are met or not met. Income statement and position statements are examples of this type of controls. Here control is seen as a postmortem of events, the purpose of which is to improve in the future.

Another name for historical controls is the feedback controls. Feedback controls (or post-action control) is largely historical. In other words, the measured activity has already occurred, and it is impossible to back and correct performance to bring it upto the

standard. Instead, correction must occur after the fact. Example of feedback controls are disciplinary action, performance appraisal, interviews, financial and budgetary results and final inspections.

ii) **Feed forward control:** Feed forward control focuses on the regulation of inputs to ensure that they meet the standards necessary for the transportation process. Inputs in the production process may include material, people, finance, time and other resources, used by an organisation. For effective control, managers, need a system that will tell them, in time, to take corrective, action that problems will occur if they do not take some precautionary measures now. Simple feedback based on outputs is not good enough for effective control feed forward control enables manages to prevent serious difficulties in the production process. Thus, feed-forward control is future oriented and hence, it is sometimes referred to as pre-control pre-action or preliminary control. Feed-forward controls use policies procedures and rules to limit activities in advance and minimize the like hood of significant deviations requiring corrective measures.

iii) **Concurrent control:** Concurrent control refers to the regulation of ongoing activities that are part of the transformation process to ensure that they conform to organisational standards. Concurrent controls are also known as "steering controls". They are used during the implementation of plans that is during the performance of an activity and are perhaps the most frequently used controls. These concurrent control techniques are employed to find out deviations from predetermined standards and thus, allow remedial measures to be taken while the activity is being performed.

Since, concurrent controls are after used as checkpoints at which decisions are made about whether to continue progress, take corrective action, or stop work altogether on a product or service, they are sometimes referred to as screening of yes- no control. Quality control inspections, approvals requisitions, safety checks and legal approval of contracts are common examples of yes-no controls.

4.11 SCOPE OF CONTROL

The scope of control is very wide. A well designed plan of control (or control system) covers almost all management activities. According to a Holden, Fish and Smith, the main areas of control are as follows:—

1. Control over policies— The success of any business organisation to a large extent, depend upon this that how far its policies are implemented. Hence, the need of control over policies is self-evident. In many enterprises, policies are controlled through policy manuals.

2. Control over organisation— Control over organisation is accomplished through the development of organisation chart and organisation manual. Organisation manual attempts at solving organisational problems and conflicts, making long-range organisation planning possible, enabling rationalisation of organisation structure, helping in proper designing of organisation and departments.

3. Control over personnel—The statement that management is getting the work done through people, underlines sufficiently the importance of control of personnel. All employees working at different levels, must perform their assigned duties well and direction of their efforts and controlling their behaviour is the process of control over personnel. Personnel Director or Personnel Manager prepares—control plan for having control over personnel.

4. **Control over wages and salaries**— Such type of control is done by having programme of job evaluation and wage and salary analyses. This work is done either by personnel department of industrial engineering department. Often a wage and salary committee is constituted to help these departments in the task of controlling wages and salaries.

5. Control over costs.—Cost control is exercised by the cost accountant by setting cost standards for material, labour and overheads and making comparison of actual cost data with standard cost. Cost control is supplemented by budgetary control system.

6. Control over methods— Control over methods is accomplished by conducting periodic analysis of activities of each department. The functions performed method adopted and time devoted by every employee is studied with a view of eliminate non-essential motions function and methods.

7. Control over capital expenditure— It is exercised through a system or evaluation of projects, ranking of projects in terms of their ranking power and appropriate capital to various projects. A capital budget is prepared for the whole firm. A capital budgeting committee reviews the projects proposed and approves the projects of advantages to the

firm. Capital budgeting, project analysis, break even analysis, study of cost of capital etc., are some popular techniques of control over capital expenditures.

8. Control over production— Control over production is effected through studies about market needs, attitude of customers and revision in product lines. Efforts are made to simplify and rationalise the line of products. Such efforts serve as control measures Routing, Scheduling, Dispatching, follow up, Inventory Control Inspection and Quality Control are some popular techniques of production control.

9. Control over research and development— Such activities are highly technical in nature so no direct control is possible over them. By improving the ability and judgement of research staff through training programmes and other devices, an indirect control is exercised on them. Control is also exercised by having a research budget in the business.

10. Control over external relations—Public Relations department is responsible for controlling the external relations of the enterprise. It may prescribe certain measures for other operating departments which are instrumental in improving external relations.

11. Overall control—It is effected through budgetary control. Master plan is prepared for overall control and all the departments are made involved in this procedure. For effective control through the master plan, active support of top management is essential.

4.12 SIGNIFICANCE OF CONTROL

Control is the most important aspect of a Manager's function. The significance of control in an organisation can be judged from the following.

i)   Insurance value of control

Control eliminates the risk of non-conformity of actual performance with the main goals, of the organisation. Control is the function which regular measurement of work in progress with proper adjustments in operations puts the performance on the right track and helps in the attainment of goals.

ii) Basis for future action

Control provides the information and facts to the management for planning and organising when the work is completed and the result is evaluated. In fact, evaluation of results helps the management to preplan for non-repetitive operations and rewarding, punishing and disciplining the workers. It would be better to say that long term planning for future is not possible useless and until control information is available in time to the managers for the operations of the work.

iii) Facility of coordination

Control plays a very important role in coordinating the business activities and workers. It binds all the workers and other activities and motivates them to move towards the common objectives through coordination. Control will play the role of the middlemen between the workers and management provide the required information in time to the workers. Further, if proper coordination through control exists in the organization, then wastage of time, efforts and money can easily be eliminated.

iv) Simplifies supervision

The systematic control helps in finding out the deviation existing in the organisation which simplifies the task of the supervisor in managing his subordinates. So through control it becomes easy for the supervisor to supervise and guide the workers to follow the right track and fulfill the required goals.

iv) Extension of decentralization

Control system helps the top management to extend the frontiers of decentralization without the loss of control. When proper procedures, policies, methods, targets etc., are clearly communicated to the subordinates, they develop self confidence and need not always refer to their supervisors with the problems. Thus, senior management people will not waste their time for such problems and would rather utilize their time and energy for further planning and organisational work.

v) Maximum utilization of plan and equipment

Control is helpful to keep inventories consistent with planned production so that a minimum amount of capital is invested in them.

vi) Economic security

Control is helpful to keep company operations at an even continuous rate of production so as to provide steady employment for the personnel, thus increasing economic security for its human resources.

OSBORINE has identified seven areas of high importance Control is helpful:

a)   To establish, delegate and assign responsibilities in such a way that a proper balance is reached between the assigned responsibility and the necessary limitations which must accompany such actions at various level of management.

b)   To safeguard the company as much as possible from unwise commitment or errors by those who have been delegated with responsibility.

c)   To make the greatest use of corporation's resources in current operations and its future returns on capital and of its other resources and capabilities for the benefit of all units within corporation.

d)   To assure fair and equitable treatment to company personnel as uniform a basis as possible, consistent with local or special conditions.

e)   To present the best possible face to the corporation's customers and suppliers and to prevent one group in a company from the potential threat of another.

f)   To assure that most favorable external relations by all corporate personnel with the public, government and share holders.

g)   To make sure that a proper flow of communication is maintained on a two way basis between management at all levels with the total personnel of the corporation in order to maintain best possible working morale of the entire work force.

4.13 PROCESS OF CONTROL

Whatever the level at which control is exercised the process of control is basic and involves the following steps:

1. Establishment of Standards

Control begins logically setting standards. Standards are the criteria for judging results. There are certain criteria against which actual results can be measured. Standards are the yardstick of performance and as must be properly set. Standards occupy an important place in the control process and "every objective, every goal of the many planning programmes, every activity of these programmes, every policy every procedure and every budget becomes standard against which actual or expected performance might be measured".

How standards help? For this purpose we have a concentrate on S-O-G-P chain. Standard is a measuring rod in attaining unit objectives, these objectives aim at accomplishing the organisational goals, which is the ultimate purpose of every organisation.

Standards-Objectives-Goals-Purpose

"In essence, standards are used to control objectives, objectives are used to control goals, and goals are used to control purpose".

a)   Types of Standards: Performance standards may be generally summarized into four categories-quantity time and cost. Standards therefore are expressed in physical and monetary terms; sometimes they are expressed in intangible terms like objectives of fair growth, goodwill, high morale etc.

>   **i)   Physical standards:** These include the quantity of product, number of customers, clients and quality of the product etc.
>
>   **ii)   Monetary Standards:** These are the standards expressed in terms of money. These include the selling costs, material costs, sales revenue, gross profit and net profit etc.
>
>   **iii)   Time standards:** These refer to the speed with which the job is to be done the examples may be fixing the deadlines within which the job is to be performed or completed etc.

b) **Setting Standards**: Setting standards for (all the operations) every operation is the inescapable task of management (executives).

    i) Before setting standards executive must study the characteristics of the work.

    ii) Executives must consider ordinarily flexible and generally acceptable levels of good performance in terms of work characteristics.

    iii) As nature of work differs with every operation (unit) the characteristics are different and so standards.

    iv) Standards are set thus depending on the characteristics of the task.

The following table provides a conceptual clarity as to how standards are fixed and are depend on the characteristics on the task (work)

Table 4.1

Characteristic	Standard
Gross income (total)	Rs. 25,000 p.m.
Gross income from credit charges	Rs. 3, 000 p.m.
Net expenses of running production department	Rs. 5,000 p.m.
Net expenses of running marketing department	Rs. 3,000 p.m.
Credit losses one percent of the credit extended	
Profit earned on goods sold on credit	Rs. 15,000 p.m.
Production of 10 units per worker day	
Time taken for producing a unit 50 minutes on an average.	

Standards must not be rigid but rationally flexible. Flexibility is a legitimate requirement control because sometimes management anticipates changes in the corporate weather. For instance, standards for keeping inventories are 100 units in manufacturing units. This standard can be increased if management anticipates a shortage of raw material supply in the near future. Workable calls for clarifying standards and objectives and thus standards must be flexible.

311

Another point to note in connection with the standards is that, while establishing the current standards of performance due consideration must be given to the previous management decisions on plans and standards.

Strategic points: Management while reviewing standards must pick some strategic points that reflect the total operation. For example, total output, inventory and efficiency in operations may be the strategic points a president a company interested in.

i)   A central point is established for every key operation or event. For example, in a factory time keeper should check the time of a worker's entry into the factory. The time keeper is usually placed at the gate us the strategic and central point.

ii)   Central points must be comprehensive and economical. They are comprehensive in the sense they include all sub operations in the operation. Economy is also sought because each and every item produced need not be checked or verified. Checking at strategic point brings economy also.

iii)   Strategic points are generally balanced in the sense equal importance is given to both qualitative and quantitative factors. Marketing and leadership should receive equal weight in setting standards. In essence, standards must also be set for staff personnel along with the line managers.

2. Measurement of performance

After standards are appropriately drawn the next step in the control process is measurement of performance. Measurement is no mean task. We have to consider a number of questions such as what to measure, how o measure, and how to solve the problem of measurement is less technical or qualitative jobs?

1.   What to measure? The answer is obvious. It is the performance that has to be measured. Manager has to measure that work against which appropriate standards are set. Before proceeding he should check himself whether he is on the right track.

2.   How to measure? Measurement sometimes poses a threatening challenge to the manager. It may be quite simple to establish standards and measure easily the performance in highly technical task. But as the task become less technical it is not easy either to set

312

standards or to measure the performance of the financial director (or financial advisor), vice president the company? It is difficult to measure the qualitative factors such as morale, satisfaction, motivation, and leadership etc.

3.   How to solve the problem of measurement in less technical and qualitative jobs? Managers are to resort to certain vague standards in the qualitative jobs. For example, ,to measure the performance of a financial advisor, a standard may be the financial health; similarly, the task of labor relations officer can be measured in terms of dealing and behavior of trade union, absence of strikes, increased enthusiasm and productivity etc.

4.   The techniques of measurement: The generally used techniques are personal observation, management by exception, sampling managerial accounting and appraisal by results. Let us discuss these techniques briefly.

a)   Personal observation: One of the most widely used methods of control is the personal observation. Hentry Sisk contends that a "Supervisor is able to judge output by observing the pace of his workers quality and can be estimate the moral and attitudes from seeing employees, listening to their spontaneous remarks and obtaining responses to questions". Personal observation is however, time consuming and that is why most managers prefer sampling.

b)   Sampling: To have a check on all the items produced is a formidable task. A manager picks certain items at random and ensures the place of work and supervises at random the work operations. Sampling simplifies the manager's task e.g. to see the financial health. i.e. in evaluating the performance of fiancé managers, the superior (supervisor) considers some financial and accounting ratios which reveal the financial soundness of the organisation and the discipline (financial discipline).

c)   Managerial accounting and computer science: Management accounting besides providing information for purposes is now a day's entering into the control evaluations. Managerial accounting generates much objective information and it has become a major method of measurement in control process.

d)   Management by exception: The essence of the management by exception (in short from MBE) is the that only exceptional matters are brought to the

313

attention of the executives. It is a system of identification and communication that signals the manager when his attention is needed conversely, it remains, silent when his attention is not required.

MBE is a very effective approach in controlling the modern organisation. MBE should not be mistaken as management by crisis. If MBE slips into management by crisis, then disastrous results follow, organisation heads for breakdown in control and planning. MBE is reality in modern organisation and has the following benefits.

i) It saves time (it is a time saving technique)

ii) It identifies critical problem areas.

iii) It stimulates communication.

iv) It reduces the frequency of decision-making.

v) It tantamount to concentration of effort on necessary things.

vi) It makes use of more knowledge and data.

vii) It is necessary in big organisation.

e) **Appraisal by results:** Appraisal by results, in diagnostic in character and concentrates on ends rather than means. Robert Lewis identifies eight key areas where appraisals by results play a major role. These areas are profitability, market position, productivity product leadership, personal development, employee attitudes, public responsibility and balance between short-range and long range plans. According to this appraisal, the individual unit is evaluated according to the results obtained or accomplished.

It is the most prominent method in almost all organisations.

It is exercised generally in combination with the management by exception in modern organisations.

To make the appraisal effective the manager has to concentrate on three key aspects of management viz. completeness, objectivity and responsiveness.

i) Completeness: Complete measures provide an opportunity for the manager to concentrate on all aspects of the job instead of neglecting unmeasured tasks in favors of measured ones.

ii)   Objectivity: Objective measurers avoid risks of bias and resentment inherent in objective assessment of task and propel.

iii)   Responsiveness: Responsive measures support the belief that effort and performance leads to improvement in the system of control. These three types of measurement are equally important for all jobs in organisation.

f)   When a measures? It is a matter of general principle that measurement and evaluation are done in the post sense, i.e. after the task is accomplished. Always this is not so however. Measurement of work may be done even during the performance, and certain adjustments are made in the case of production of certain commodities. Sometimes performance may be checked on the completion of each phase in the production. In the case of assembling tasks, each part is checked before assembling.

3. Comparison of performance with standards

After the standards are set and performance is accurately measured and immediate step is to be easy task, but in fact, it is a formidable one. Ralph C. Davis identifies four phases in the completion.

i)   Receiving the raw data.

ii)   Accumulation, classification and recording of this information.

iii)   Periodic evaluation of completed action to date.

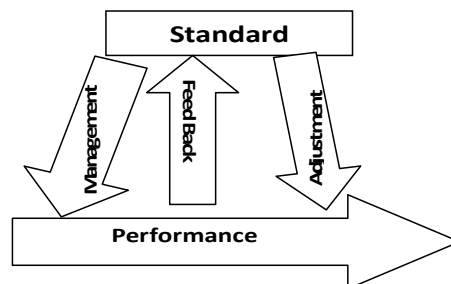iv)   Reporting the status of accomplishment to higher line authority.

Fig. 4.1 Measurement Feedbacks and Adjustment

315

In the first phase necessary material must be made available to the management through upward communication system. Then classification and recoding aspects regarding materials are done in the second phase. The third phase is very important where deviations are noted, if any, between the standards and performance. Comparison establishes the difference between standards and actual performance. If clear cut deviations are there then management must study the:

i) Cause of deviation;

ii) Effects of deviations;

iii) Size of deviation and

iv) Positive or negative;

After thoroughly analyzing the above the next phase is to report the matter to the senior line official for taking the necessary and corrective steps.

4. Corrective action

Control process would be incomplete, for that matter, meaningless if corrective action is not taken.

Corrective action is essentially concerned with either correcting unfavorable deviation from planned performance or altering future performance criteria. Manager in this process defines the real problem causing deviations. To overcome these deviations he considers various alternatives and analyzes them to incorporate an effective alternative.
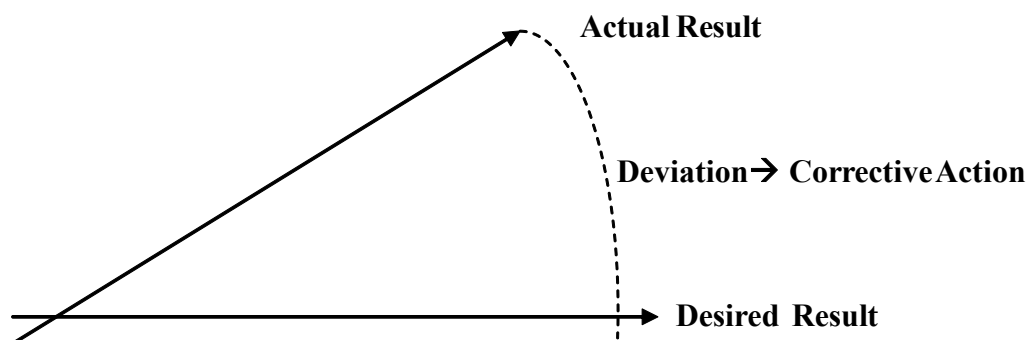
Actual Result

Deviation→ Corrective Action

Desired Result

Fig. 4.2 Corrective Actions

316

It should be noted that a favorable deviation is not always a good sign it also calls for corrective action. If favorable deviation is due to efficiency in work operations of individual it is healthy sign. But it may not always be the case. Favorable positive deviation may be due to low standards or underestimation of workers ability etc. by the management. Hence standards must be corrected to suit the abilities of employees. Similarly, negative due to ambitious standards that are set by over dynamic management. However, if standard sets are reasonably accurate then deviation really calls for careful action. Careful action may be:

i) Immediate   ii) Basic   iii) Disciplinary

Immediate action is concerned with establishing (equilibriums) normal position by carefully rectifying the present situation. For example, when production is lagging behind by the requirement of one week then immediate action should be increased the production to carter the needs (requirement of customer). It is then the cause of non compliance of production be established and basics action should be taken. Basics actions aim at permanently curing the cause of variations. Basics action is thus necessary for avoiding such delay in future.

If variation is intolerable then management is generally sought to disciplinary action by imposing some kind of penalty. The very purpose of such disciplinary action is to radically improve the future behavior of employees. Penalties does not mean wage cut, or demotion but must be positively enforced.

Positive disciplinary action is always helpful in rooting out the extremely intolerable variations. It must be remembered, however, that disciplinary actions must be exercised carefully by the management. Management should follow the following points regarding corrective action.

i)   If deviation is considered to be acceptable and uncontrollable than there should be no change in the performance standards.

ii)   If deviation are considered acceptable, but in future subjects to change, then corrective sub plans, standard must be established to ensures the new line of performance.

317

iii) If deviations are unacceptable then this should be subject to three alternatives.

a) Corrective sub-plans or standards to affect future performance.

b) Total change and re-establishment of students.

c) Total change in action or goal of the major plan should be undertaken.

4.14 ESSENTIALS OF AN EFFECTIVE CONTROL SYSTEM

An ideal system of control is that which makes the controlling function easy, effective and smooth. The following are the essentials or basic requirements or principles or characteristics of an ideal control system.

1. **Suitability.** The control system should be appropriate to the needs, kind of activity and circumstances of an enterprise. Control is executed through managerial position. The flow of information concerning current performance should correspond with the organisational structure employed. So that deviations may be reported according to job positions at different levels of the organisation.

2. **Simplicity.** To be effective, control system must be clear, easy to understand and operate. Unless the control system is understood properly by those responsible for its implementation it cannot succeed. A complex system will not only create hurdles in the performance to activities, but it will also not bring the results expected of it.

3. **Objectively.** The fixation of standards, measurement of performance and corrective action must be objective and impersonal. Subjective and arbitrary control cannot be effective. It is essential that the standards to judge the actual performance are clear, definite and stated in numerical terms.

4. **Economical.** The systems of control must be worth their costs. They must justify the expenses involved. The cost of control system should not exceed the possible savings from its use. Complicated control system should be avoided to keep a check on the costs of control. It, therefore, becomes

318

essential to concentrate the control system on factors which are important to keep the costs down and the system economical.

5. **Flexibility.** The system of control must be flexible, *i.e,* workable even if the plans have to be changed. A good control system must keep pace with the continuously changing pattern of a dynamic business world. It must be responsive to changing condition. Control system should be flexiable so that it can be adjusted to suit the need of any modification or alteration in a plan.

6. **Quick reporting.** Time is an important element in enforcing a control system. Subordinates should inform their superiors quickly with actual results at all deviations from standards. Delays in reporting of information will make control ineffective. Promptness is also needed in initiating the corrective action. Quick reporting helps in the timely disposal of deviations.

7. **Suggestive.** A control system should not only measure performance and detect deviations, it should suggest remedial measures as well. In other words, good control system should be self-correcting. In fact, a control system can be effective only when it is considered as part of the internal working and not as a mechanism operating from outside.

8. **Forward-looking.** The control system should be directed towards future. In fact, the control system can at times be so devised as to anticipate possible deviations or problems. It should be preventive and not merely corrective. Ideal control is instantaneous. Cash forecasts and cash control is an example in point where a financial manager can forecast the future cash needs and provide for them in advance.

9. **Individual responsibility.** Control can be effective when it focuses on individual rather than on jobs or works.

10. **Strategic point control.** All deviations from standards are not of equal importance. Hence, to try to control all deviations is not desirable. Therefore, the control system should focus on key, critical or strategic points which require management attention. Effective and efficient

control is control by exception. Ucontrollable deviations need not be given much care and thought.

11. **Self-control.** Different departments in units may be planned to control themselves. If a department can have its own goals and control system, much of the detailed controls can be handled within the department. These sub-systems of self control can then be tied together by the overall control system.

12. **Feedback.** It means information on previous performance. For effective control, regular flow of information regarding the actual performance is necessary. Feedback can be supplied through personal contact, observation or reports. Automatic feedback assists in taking corrective action at right time or in adjusting future operations.

4.15 LIMITATIONS OF CONTROL

The main limitations of control are stated as under :-

1. **Problems in fixing standards.** There are many areas in business situations where measurable standards of performance just cannot be fixed. For example, such areas are employee morale, customer reaction, research and development, and so on. In the absence of standards, control function becomes less effective.

2. **Difficulty in pinpointing responsibility.** Control process is concerned with determining the factors responsible for deviations. But now-a-days it is difficult to do so, because large number of persons are concerned with the performance of a single job. In such cases control is weakened.

3. **Difficulty in controlling external factors.** The internal environment can be controlled upto some extent, but is almost impossible to exercise any degree of control over the external factors such as policies of the government, competitors, etc. This lessens the effectiveness of control measures.

4. **Expensive.** To enforce proper control, a large number of persons are required to find out deviations at different levels. For a small enterprise, the cost of a control system may become prohibitive.

5. **Resistance.** Employees normally look upon the control techniques as an unwarranted interference in their work. Owing to this they may not fully co-operate with the persons operating the control system.

4.16 CONCEPT OF MANAGEMENT BY OBJECTIVES (MBO)

Every individual performs rational and irrational activities. Every rational human activity must have certain clear-cut objectives or goals. An executive manager, before performing his functions must ask: What are the objectives of the activity he is going to manage? The answer to this question will serve many functions. The objectives provide orientation by depicting a future state of affairs which the organisation strives to realize. They set down guidenlines for individual and group activity. Objectives constitute a source of legitimacy which justifies the activities of the organisation and indeed its very existence. Moreover, objectives serve as standards for assessing the success of the organisation. Thus, objectives will check the members of the organisation from deviating from the route they have set for themselves. Mangement by objectives (MBO), or management by results (MBR) has drawn considerable attention of both academicians as well as practitioners because of two reasons. First, it focuses sharply on the objectives or results which a manager is expected to acheive within a specified period. Second, it emphasises participative management, an approach which provides high motivation to individuals in an organisation. The term MBO was coined by Peter Drucker in 1954 when he emphasised the conept of managing by objectives. Since then, many organisations, both business and non-business, have adopted this in some form or the other. Though there are some variations in the practices of MBO and, therefore, its definitional aspects, MBO has defined as follows :

"MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner, consciously directed towards the effective and efficient achievement of organisational objectives."

The integration of individual and organisational objectives through MBO has been emphasised by **Prof S. K. Chakravarty** when he has defined MBO as follows:

321

"MBO is a result-centred, non-specialist, operational managerial process for the effective utilisation of material, physical, and human resources of the organisation by integrating the individual with the organisation and organisaton with the environment."

Koontz and others have defined MBO thus; "MBO is comprehensive managerial system that integrated many key managerial activities in a systematic manner, consciously directed towards the effective and efficient achievement of organisational objectives".

4.17 CHARACTERISTICS/FEATURES OF MBO

Based on the definition of MBO, its features can be identified as follows :

1. MBO is an approach and philosophy to management and not merely a technique. A management technique can be applied in selected parts of the organisation and will have limited implications for its other parts. For example, various control techniques like standard costing, inventory control have their implications in their respective fields and they have very remote effeect on other elements of the organisational processes like recruitment and selection process promotion, etc. On the other hand, MBO is likely to affect every management practice in the organisation. MBO employs several techniques but it is not merely the sum-total of all these techniques. It is a particular way of thinking about management.

2. As an approach to management, with objective orientation as its essence, MBO is bound to have some relationship with every management technique. Certain degree of overlapping is there. In fact, often MBO provides the stimulus for the introduction of new techniques of management and enhances the relevance and utility of the existing ones. MBO is the joint application of a number of principles and techniques. It works as an integrating device.

3. The basic emphasis of MBO is on objectives. Whereas the various techniques of management help in measurement of results in resources, MBO is also concerned with determining what these results and resources should be. This is possible because MBO tries to match objectives and resources. Objectives are established for all the levels of the organisation, including the

322

corporate level, all the units or departments and individual managers. Objectives provide the means for integrating the organisation with its environment, its subsystems and people.
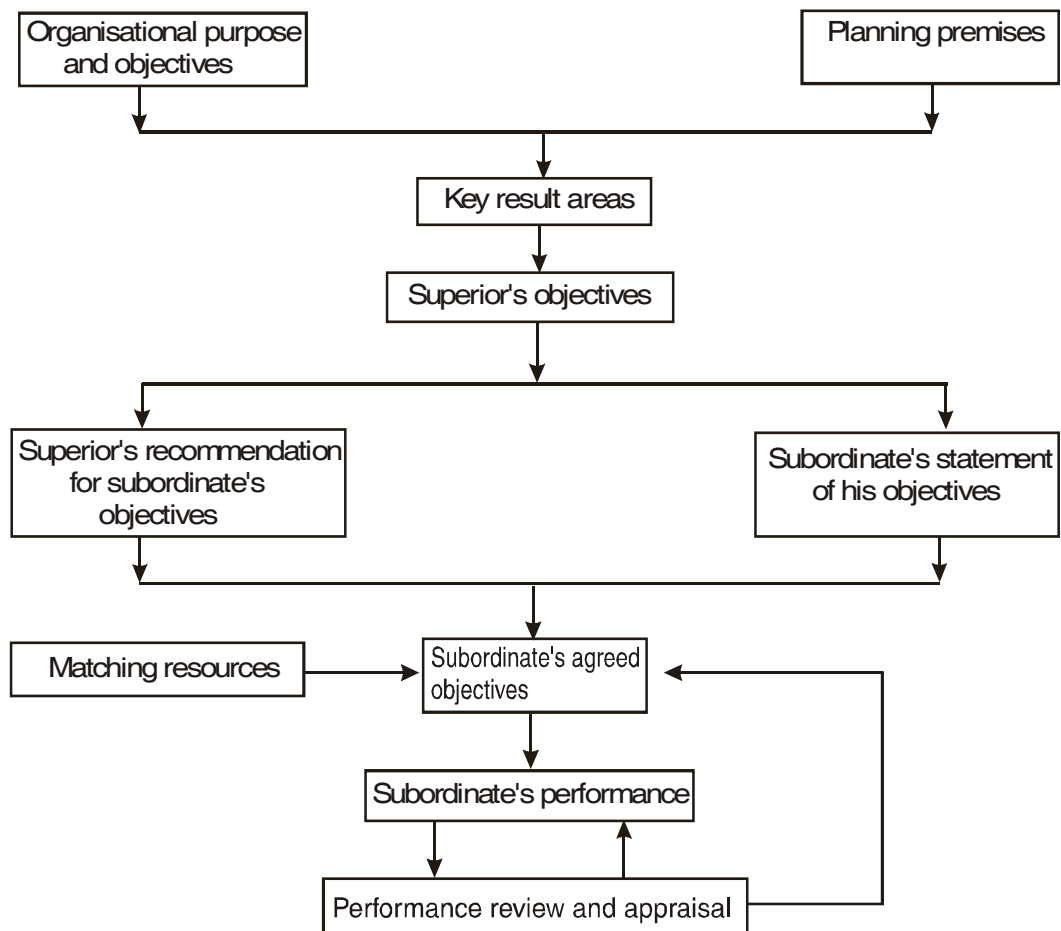
4. The MBO is characterised by the participation of concerned managers in objectives setting and preformance reviews. Therefore, each manager takes active part in setting objectives for himself and also in evaluating his performance about how he is performing. The total management process revolves around the objectives set jointly by the superior and the subordinate. Therefore, managers have the opportunities for clarifying their job relationships with peers, superiors and subordinates. This process clarifies the role very sharply in terms of what one is expected to achieve.

5. Periodic review of performance is an important feature of MBO. The performance review is held regularly, normally once a year. It emphasises initiative and active role by the manager who is responsible for achieving objectives. The review is future-oriented because it provides basis for planning and corrective actions.

6. Objectives in MBO, provide guidelines for appropriate system and procedures. Resource allocation of authority, etc., are determined on the basis of objectives. Similarly reward and punishment system is attached with the achievement of the objectives.

4.18 PROCESS OF MBO

MBO is a system for achieving organisational objectives, enhancement of employee commitment and participation. Therefore its process should facilitate translation of basic concepts into management practice. The MBO process is characterized by the emphasis on the rigorous analysis, the clarity and balance of objectives, and the participation of the managers with accountability for results. The MBO process is not as simple as it appears to be. Managers need training and experience for developing the required skills. The process has many nuances which can be understood from Figure 4.2 and its explanation.

Fig. 4.3 : Process of MBO

1. Setting of Organisational Purpose and Objectives. The first basic step in MBO is the definition or organisational purpose and objectives. Questions, such

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┌─────────────────────┐                          ┌─────────────────────┐
│ Organisational      │                          │ Planning premises   │
│ purpose and         │                          │                     │
│ objectives          │                          │                     │
└─────────────────────┘                          └─────────────────────┘
            │                                                │
            │              ┌──────────────────┐              │
            └─────────────▶│ Key result areas │◀─────────────┘
                           └──────────────────┘
                                    │
                           ┌─────────────────────┐
                           │ Superior's objectives│
                           └─────────────────────┘
                                    │
            ┌───────────────────────┴───────────────────────┐
            │                                                │
┌─────────────────────┐                          ┌─────────────────────┐
│ Superior's          │                          │ Subordinate's       │
│ recommendation for  │                          │ statement of his    │
│ subordinate's       │                          │ objectives          │
│ objectives          │                          │                     │
└─────────────────────┘                          └─────────────────────┘
            │                                                │
            └───────────────────────┬───────────────────────┘
                                    │
┌─────────────────────┐   ┌─────────────────────┐
│ Matching resources  │──▶│ Subordinate's       │◀──────────┐
└─────────────────────┘   │ agreed objectives   │           │
                          └─────────────────────┘           │
                                    │                        │
                           ┌─────────────────────┐           │
                           │ Subordinate's       │           │
                           │ performance         │           │
                           └─────────────────────┘           │
                              │           ▲                   │
                              ▼           │                   │
                       ┌───────────────────────────┐         │
                       │ Performance review and    │─────────┘
                       │ appraisal                 │
                       └───────────────────────────┘
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as, "why does the organisation exist", "what business are we in" and "what should be our business" provide guidelines for the statement of purpose. This, in interaction with external factors, then determines the long-range strategic objectives like (i) whether to achieve growth through expansion in the same line of business or diversify; (ii) what should be blending of trading and manufacturing activities; (iii) what should be the degree of vertical integration and so on. Usually the objective setting starts at the top level of the organisation and moves downward to the lowest managerial levels. This will go in a sequence like this (i) defining the purpose of the organisation, (ii) long-range and strategic objectives, (iii) short-term organisational objectives, (iv) divisional/departmental/ sectional objectives, (v) individual manager's objectives.

324

2. Key Result Areas. Organisational objectives and planning premises together provide the basis for the identification of key result areas (KRAs). It may be emphasised that KRAs are derived from the expectations of various stakeholders and indicate the priorities for organisational performance. KRAs also indicate the present state of an organisation's health and the top management perspective for the future. Examples of KRAs applicable to most of the business organisations are (i) profitability, (ii) market standing, (iii) innovation, (iv) productivity, (v) worker performance, (vi) financial and physical resources, (vii) manager performance, and (viii) public responsibility. Even though KRAs are most durable, the list of KRAs gets considerably changed over the period in response to new needs and opportunities. Sometimes the achievement in a particular KRA also provides the impetus for a new KRA in future.

3. Setting Subordinates Objectives. The organisational objectives are achieved through individuals. Therefore, each individual manager must know in advance what he is expected to achieve. Every manager in the managerial hierarchy is both superior and subordinate except the person at the top level and the lowest level. Therefore, there is a series of superior and subordinate relationships. The process of objective setting begins with superior's proposed recommendations for his subordinate's objectives. In turn, the subordinate states his own objectives as perceived by him. Thereafter, the final objectives for the subordinate are set by the mutual negotiation between superior and subordinate. In the beginning of MBO process in an organisation, there may be wide gap between the recommended objectives by the superior and subordinate's stated objectives because the latter may like to put lesser burden on him by setting easily achievable objectives. However, with the experience gained over the period of time, this gap narrows because of narrowing down of perception of superior and subordinate about what can be done at a particular level.

4. Matching Resources with Objectives. When objectives are set carefully, they also indicate the resource requirement. In fact, resource availability becomes an important aspect of objective setting because it is the proper application of resources which ensures objective achievement. Therefore, there should be matching between objectives and resources. By relating these to objectives, a superior manager is better able to see the need and economy of allocating resources. The allocation and movement of resources should be done in consultation with the subordinate manager.

5. Appraisal. Appraisal aspect of MBO tries to measure whether the subordinate is achieving his objective or not. If not, what are the problems and how these problems can overcome? Appraisal is undertaken as an on-going process with a view to find out deficiency in the working and also to remove it promptly. It is not taken merely to punish the non-performer or to reward the performer. It is taken as matters of system of ensure that everything is going as planned and the organisation is able to achieve its objectives.

6. Recycling. Though appraisal is the last aspect of MBO process, it is used as an input for recycling objectives and other actions. Objectives are neither set at the top and communicated to the bottom nor are they set at the bottom and go up. Objective setting is a joint process through interaction between superior and subordinate. Therefore, what happens at each level may affect other levels also. The outcome of appraisal at one level is recycled to see if the objectives have been set properly at the level concerned and also at the next higher level. This can be presented in Figure 20.2.
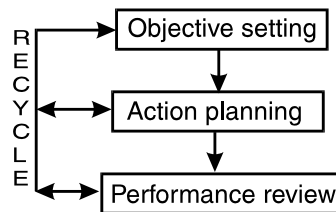
Fig 4.4 Recycling aspects of MBO

The three aspects involved in recycling process include setting of objectives at various levels, action planning in the context of those objectives and performance review. Each of these aspects gives base for others. For example, objectives give basis for action planning which, in turn, gives basis for performance review, and performance review gives basis for objective setting and action planning. This process goes on a continuous basis.

4.19 LIMITATIONS OF MBO

MBO has certain limitations and weakness. They are:

1. Sometimes, it is difficult to set verifiable goals. For example, it is difficult to set verifiable goals to the staff people and the research department.

2. Differences in the status of subordinates may not create an open atmosphere, which is necessary for appropriate goal setting.

3. This may involve much paper work and holding of many meetings. Because of this, managers may not have time to do their normal work.

4. There is tendency on the part of the managers to emphasize on short run goals to become more precise in goal setting and its achievement.

5. Managers fail to understand and appreciate MBO philosophy. They have a number of doubts about MBO like what purpose is served by MBO; how the performance is to be appraised etc., they take MBO as another tool of control. Because of this way of thinking, it is difficult to introduce the MBO successfully.

6. Environment in which an organisation operates is dynamic and because of this, a particular objective may not be valid forever. But many members often hesitate to change the objectives during a period of time. This inflexibility may cause harm to the organization.

In spite of these limitations, MBO is considered to be one of the important techniques of managing the business and more organisations are adopting this technique. Full benefits of the MBO programme can be derived if certain basic requirements are taken care of, they are:

1. Top management supports the MBO programme.

2. Defining the purpose of MBO clearly.

3. Setting individual's objective jointly by the superior and subordinates.

4. Evaluating individuals periodically and providing them with feedback

Concerning their performance

5. Rewarding individuals on the basis of objective evaluation of their attainment.

6. Implementing MBO at lower levels also, i.e., it must be carried all the way down to the first line of organisation

4.20 PREREQUISITES FOR INSTALLING MBO PROGRAMME

MBO is philosophy, rather than mere a technique. As such, its installation requires a basic change in the organisational culture and environment. Many of the organisations could not use MBO successfully because of the lack of appreciation of this fact. Many of the organisations are designed so as to undermine the MBO philosophy. This is because they could not create the proper environment required for the adoption of MBO. Stated below are some of the prerequisites and problems contained therein or installing the MBO programme :

1. **Purpose of MBO**. MBO is a means rather than an end. It has to achieve certain things in the organisation; it has to solve some problems. Thus, the organisation should be very clear about the purpose for which it is being implemented. As already discussed, Howell has suggested a three-stage evaluation of MBO : management appraisal and development, improvement of the productivity and profitability and long-range planning. Thus, an organisation facing serious competition both in its product and factor markets and in the grip of secular decline, will tend to use MBO primarily for immediate improvements in productivity and profitability. On the other hand, an economically affluent organisation might contemplate using MBO to change its management style so that it conforms to a more advanced and germane model of man-in-the-organisation. In both these cases, the details and emphases of the system will vary. Thus, if the purpose of MBO is not precisely defined and particular techniques in MBO suitable to the purpose are not emphasised, there is every possibility that MBO does not produce the results as anticipated.

2. **Top Management Support**. The presence or absence of top management support is a critical factor in determining the degree to which an MBO programme will be successful. Many studies on MBO suggest that out of the several factors determining the success or failure of MBO, no single factor had greater correlation than the subordinate's perception of superior's attitude toward MBO. Thus, subordinates who can see their superiors as

having a positive approach towards MBO are themselves likely to show a positive attitude. MBO is a way of managing on a day-to-day basis rather than an exercise of writing objectives once a year. The manager has a responsibility of (i) personally discussing with each subordinate the objectives that were set; (ii) evaluating progress made in acthieving these objectives; and (iii) assisting and supporting the subordinate by removing obstacles that hinder his work accomplishment. Mere verbal or printed commitment is not enough. Vigorous involvement among the top management is essential and this must be seen and perceived as such throughout the organisation. In short, MBO programme is not an end in itself, rather a means to an end. Management support for using objectives to plan and to control, working on a continuous basis, increases the probability of success of a programme.

3. **Training for MBO**. Another critical factor in implementing MBO is the existence of some type of training programme for people who will be operating under it. Systematic training is required in the organisation for disseminating the concepts and philosophy underlying MBO. The training should start with the concepts, philosophy and need for MBO. If people in the organisation are not clear about the reasons for which MBO is being undertaken, they will fear and may show their resistance because people tend to show fear to what they do not understand. This fear can lead to suspicion and mistrust which, in turn, undermines people's enthusiasm which is very important during the initial stages of MBO. One consultant on MBO has remarked that the importance of orientation and training should not be overlooked. I think it is important when you move into a progaramme like this; if you are starting from scratch, people must understand why and how you are developing the programme. Sometimes there is a certain amount of fear when a programme of this kind is involved.

Another type of training, a major one in MBO programme, should be in the area of intragroup, intergroup and interpersonal relationships because MBO entails a lot of such elements. Educational components of OD (Organisation Development) are quite useful for MBO. Beck and Hilimar suggest that "conditions for human effectiveness are jointly determined by interpersonal competence, achievement and self-actualisation, meaningful goals and helpful

329

systems. And efforts in these four directions, starting with interpersonal competence, can be organised simultaneously with and independently of formal goal setting in the organisation context. Those managerial skills and organisational processes which lead to such results constitute the OD efforts. The capabilities so generated are the very ones which successful MBO needs." Thus, training sequence may be structural change-behavioural change. An alternative sequence may be structural change-behavioural change-attitude change. MBO is an effective method for bringing about organisational changes in its structural aspects. Such changes may cause behavioural changes because of the new configuration of authority-responsibility relationship. The basis for super-subordination interaction in an MBO system may require that both superior and subordinate change their behaviour to adjust themselves in the new role requirements.

4. **Participation**. Success with MBO requires a commitment on the part of each individual involved in this type of system. Their commitment in turn, is a function of their identification with and participation in the system. The subordinate should not perceive that MBO is another technique being used by his superior to control his performance. Such undesirable perception may be avoided by encouraging the subordinate to play an active role in the preliminary phases leading to the actual writing of the objectives. Subordinate's role should include (i) the identification of important areas of accountability of his job; (ii) the determination of mutually agreeable performance measures; and (iii) the identification of his present performance level. How ever, the areas and scope for participation may vary in their relative emphasis according to the functional areas or hierarchial level to which an individual belongs. There cannot be a standard set of participation and each organisation may make its own diagnosis about the extent and type of participation it desires under given conditions. In this context, Newport observes: 'A change to participative management involves the establishment of a situation in which people are active rather than passive, responsible rather than irresponsible, and basically more independent than dependent. Yet our heritage is one for the most part of a belief in the necessity for highly structured organisational arrangements. To change such management ideologies adopted from generation to generation is a time consuming process.

In evaluating whether participation will work or not, following questions should be asked :

(i) Has the type of participation required been carefully thought out?

(ii) Does higher management really mean to share certain managerial prerogatives that supposedly go with their rank?

(iii) Is participation perceived as a trap by subordinates?

(iv) Have subordinates the right skills and knowledge in order to shed their defences, and participate meaningfully?

5. **Feedback for Self-direction and Self-control**. One of the strong points in MBO is that in this system a person can direct and control his own performance. For such a purpose the person, who has performance objectives and knows how well he is achieving them, should know 'where he stands' and 'where he is going' so that he can make necessary adjustments to achieve the desired results on his own. As such, feedback is necessary. Feedback is an essential ingredient in sustained learning and improvement in situations. By feedback, here, is not meant merely the regular supply of control information to each manager. The interpersonal aspect of feedback is equally important. Feedback under MBO should take two forms. First, the individual should get periodic reports on where he stands on an overall performance basis. This is required specially when the subordinate requires help from the superior. Second, feedback is necessary in the form of periodic counselling and appraisal interview. The superior helps to evaluate progress, to identify problems, and to offer planning suggestions.

6. **Other Factors**. Besides the above major considerations, there are several other factors that influence the success of MBO. To the extent those responsible for implementation are aware of the various problems, they can make provisions in advance to overcome these. These are as follows:

(i) **Implementing MBO at Lower Levels**. If the full benefits of MBO are to be realised, it must be carried all the way down to the first line of the organisation. There is a tendency for active participation in objective setting itself and for periodic feedback and review to diminish, the further down the

331

management ladder the programme gets. If such a tendency prevails, to the extent, MBO will be ineffective.

(ii)   **MBO and Salary Decision**. One of the most elusive aspects of MBO is to tie the organisation's compensation system with the MBO programme. Though this problem does not arise at the initial level, later on, this becomes a crucial issue. This is because rewards and penalties are among the accepted ways of exercising organisational authority over its members. There are various problems in the organisational remuneration with MBO. First, there is the problem in equating the degree of difficulty to the achievement of various objectives in various functional areas. Second, if the monetary difference between the superior and the average performer is not perceived being significant, the superior performer will lose enthusiasm to continue his outstanding performance. At the same time, minimum increases for average performers can also be discouraging. They may be doing their best work, and getting only a minimum increase may be perceived as punishment. However, such an opportunity may not exist in the organisation. Third, some argue that to link MBO with reward-penalty system would amount to bringing in the piece-rate system from the shopfloor to the manager's office. Thus, liking MBO with reward and penalty is really a difficult problem. One way to overcome this problem is that reward and penalties may be thought of in qualitative terms also, instead of the usual monetary alternatives.

(iii)   **Conflicting Objectives**. One of the outcomes of MBO programme is that, to a degree, it builds a competitive climate. This is because MBO generates commitments. But it is often found in practice that over-commitment leads to competitive rivalry with respect to claims on the scarce resources of the organisation. This may be dangerous if it exceeds the limits. The accomplishment of result in organisations largely requires interdepartmental co-operation and integration of efforts. The persons responsible for introducing MBO must be certain that competing objectives are not set. Some educational effort is needed to enable managers to adopt an overall approach to performance reviews at regular intervals if the human dynamics reveal sub-optimal behaviour.

4.21 GUIDELINES FOR SETTING EFFECTIVE OBJECTIVES

The limitations of MBO can be reduced to some extent if the organisation follows certain guidelines. These guidelines are offered by Prof. Terry. These guidelines should be followed while setting objectives:

1.   Objectives are framed only by the participants who are responsible for implementing them.

2.   All the objectives should be support the overall objectives of the organisation.

3.   Objectives should be attainable ones.

4.   Objectives should result in the motivation of workers.

5.   A periodical review of objectives is necessary for proper implementation.

6.   Objectives should have the characteristics of innovation.

7.   The number of objectives for each management member should be reasonable one. Four or five objectives is a reasonable number.

8.   Objectives should be ranked on the basis of their importance.

9.   Objectives should be in balance within a given organisation or enterprise.

10.   Objectives should be simple and clearly defined.

11.   Objectives should be specific and time bound.

4.22 SELF ASSESSMENT QUESTIONS

1.   Discuss the Benefits and limitations of MBO.

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2.   Discuss in detail the process of controlling?

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3.   Explain in brief the essentials of effective coordination?

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4.   Define the scope of control?

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5.   What do you mean Management by Objective and give its features?

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4.23 BOOKS RECOMMENDED

- LM Prasad : Principles and Practice of Management (Sultan Chand & Sons)
- Gupta, Sharma and Bhalla: Principles and Practices of Management (Kalyani Publishers)
- T. Ramasamy: Principles of Management (Himalaya Publishing House)
- George R Terry : Principles of Management (Richard D Irwin Inc)

- Harold Koontz and Heizweihrich : Essentials of Management (Mcgraw Hill series in Management)

- Peter F Drucker : Frontiers of Management (Heinemann London)

- Peter F Drucker : Managing for future (Tata Mcgraw Hill)

- J.S. Chandan : Management theory and Practice (Vikas Publishing House Pvt Ltd.)

SKILL DEVELOPMENT

OBJECTIVE: To make students acquainted with the specimen for classroom teaching pattern and internal assessment.

STRUCTURE:

5.1 Draw chart for the structure of different levels of management

5.2 Draw chart for different types of organisations

5.3 Give graphical representation of Maslow's theory of motivation

5.4 Chart out different types of leadership styles

5.5 Draw control chart for any industry or business group

5.6 Give graphic representation of Management by Objectives (MBO)

5.1 DRAW CHART FOR THE STRUCTURE OF DIFFERENT LEVELS OF MANAGEMENT

An organisational chart is a pictorial representation of a company's structure and reporting relationships. This chart can provide a great deal of information and may help organisational members understand the overall structure of the organisation and its strategy. This describes how organisational charts are constructed, including the software that can be used to create them; what information the organisational chart provides; the benefits of making the chart available inside and outside of the organisation; and the circumstances under which a chart is likely to change.

1. CONSTRUCTING AN ORGANISATIONAL CHART

All organizational charts have similar elements that allow them to be easily interpreted and understood by people inside and outside of the organisation. Charts consist of shapes and lines that represent work units and their hierarchy. See Fig.5.1 for an example of an organisational chart.

336
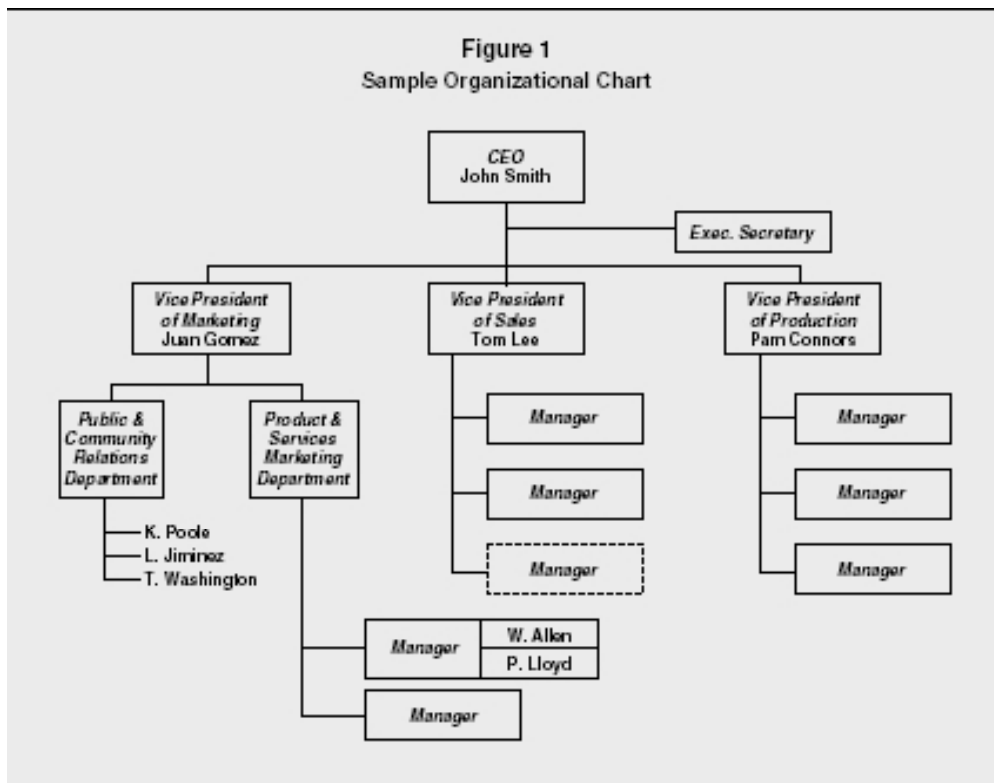
Fig. 5.1 Organisational Chart

The basic building block of an organisational chart is the rectangle, which can represent a person or a work unit (e.g., a department). For example, as shown in Fig.5.1, the CEO position has a separate rectangle that denotes one person, but the entire Public and Community Relations Department is also represented by one rectangle. If the outline of the rectangle is dashed, this means that a position is open and must be filled, as with one of the manager positions. If a rectangle is divided, and two or more names are in it, this may indicate job sharing or that multiple people are responsible for the outcomes associated with this position. In the figure, W. Allen and P. Lloyd are comanagers in one area of the Production and Services Marketing Department, where they have a job sharing arrangement and each works part-time hours.

The boxes may contain as much or as little information as the organization prefers. They may include a job title, an employee's name, an employee's department, or even information such as job tenure, education, or salary. Alternatively, a chart may be created without

337

rectangles, with names or titles standing alone. The three employees in the Public and Community Relations Department are listed with their names not in rectangles. This often is done to save space on the chart.

Rectangles on an organisational chart are linked with solid or dashed lines. A solid line indicates a formal, direct relationship and a dashed line indicates that one employee or department advises another or has some other sort of indirect relationship. Note that all but one of the reporting relationships in Fig.5.1 are formal. L. Jiminez has a dashed line to the Product and Services Marketing Department, which means that she sometimes will work for that department or will report to that department's manager. When lines represent a tree structure—when two or more rectangles are linked to another with multiple lines— this indicates that several individuals or departments report to one supervisor. For instance, the tree structure represents the relationship between the CEO and the three top managers who report to the CEO. Finally, a rectangle that is attached horizontally outside of the vertical hierarchy typically indicates an assistant or staff person. In the example, this is represented by the executive secretary to the CEO.

While organisational charts can be created by hand, most are created using computer software. Although it may be labor intensive, organisational charts can be created using drawing tools in a word processing program. Microsoft's PowerPoint presentation software allows for the creation of organisational charts, although there is little space available to create large charts. Specific software exists for creating larger, more complex charts, and there are many different packages available for purchase. Some examples are OrgPlus5, ConceptDraw V, SmartDraw, and Abra Organisational Chart. These software programs allow for quick and easy chart creation with point-and-click menus and automatic resizing and alignment. Many of these software programs also allow one to easily download charts into a word processing document, a presentation, or a Web site. Other features available in these programs include the ability to insert employee photographs, as well as information from other human resources computer programs, directly into charts

2. INFORMATION IN THE ORGANISATIONAL CHART

The organisational chart provides a great deal of information about the organisation as a whole and the interaction of its parts. From a chart, one can see the organisation's structure, its hierarchy, the degree to which it is centralized or decentralized, and its chain of command. Each of these is summarized below.

338

Organisational structure.

First, organisational charts detail an organisation's structure. It may be functional, in which work units are divided based on what they do and named after those functions (e.g., research and development, marketing, sales, etc.). The structure may be divisional, based on product, customers served, or geographic location. Finally, an organisational chart may represent a matrix structure, in which work units are organized by both function and division.

Organisational hierarchy and centralisation.

In addition to outlining the type of organisational structure, the organisational chart also indicates the number of management levels, whether the organisational structure is tall or flat, and the span of control at each level. Tall organisations have many levels of middle management and small spans of control. Each manager supervises and directs few employees, and the chain of command has many managers. Conversely, a flat organisation has fewer management levels and larger spans of control. Because managers supervise more employees, employees tend to have more autonomy and discretion in their jobs.

Organisational hierarchy and the number of management levels often indicates the degree of centralization within an organisation. Centralised organisations are those in which most of the decision making occurs by a few people at the top of the hierarchy. This typically creates a top-down management structure, in which top-level managers strongly control the direction of the workplace through their decisions and supervision. Conversely, an organisation with a decentralised structure allows greater decision-making and authority at lower organisational levels. Highly decentralised companies may have units that operate nearly independently of one another. The degree of hierarchy on an organisation's chart normally will help one to determine the degree of centralisation or decentralisation within its structure. Typically, the taller the organisation, the more centralised it is; flatter organisations generally require more decentralisation, because managers each have broader spans of control and cannot direct and closely supervise so many people. Additionally, as previously described, the organisation's structure may indicate the degree of centralisation. Functional structures tend to be more centralised than do divisional structures.

339

Chain of command.

The vertical and horizontal lines connecting the rectangles on an organisational chart indicate reporting relationships and chain of command. That is, they indicate which employees are directly responsible for the supervision of others and who has ultimate accountability for a group of employees.

3. AVAILABILITY OF THE ORGANISATIONAL CHART

Many companies make their organisational chart available to their employees and to the public. The members of the public who may have an interest in a company's organisational chart include company shareholders, investors, distributors and suppliers, customers, potential job applicants, and even community members.

Employees typically have access to the organisational chart through materials provided by the organisation (e.g., the employee handbook) or through a company web site. Providing the organisational chart to employees allows them to see the structure of the organisation and to better understand the entirety of the organisation and how their position or work unit fits into it. Additionally, the observable chain of command can help an employee to understand to whom they are accountable. This may aid the company in diagnosing organisational problems by being able to pinpoint accountability.

Many organisations now make their organisational charts available for viewing by the general public, either online or in corporate literature for shareholders and prospective employees. By providing this information, these external stakeholders and other interested parties may gain a better understanding of the organisation. The chart may give them a sense of the organisation's operations, workforce, or even its strategy.

4. CHANGES TO THE ORGANISATIONAL CHART

There are a number of reasons that an organisational chart might change since the chart must reflect any alterations to the organisational structure. The structure may change due to a company's growth, decline, or restructuring.

5. GROWTH OR DECLINE.

All organisations progress through a life cycle of growth, maturity, and decline, and in each stage the organisational structure is likely to be different. In the growth stage, the company is expanding rapidly, gaining customers and market share. Growth will occur when a company is just beginning and products and services are gaining a foothold. It may also occur when an organisation develops a new product or expands into new markets, perhaps in other countries. With growth, the organisational chart will change. Levels of management may be added, along with new departments.

In maturity, an organisation is no longer growing at a rapid rate and is stable in its production and sales. The organisation may introduce minor changes to a product or service, but there are unlikely to be major changes to its structure.

In the decline stage, the organisation is losing ground in the marketplace. It may be that its products or services are becoming obsolete or that its competitors are taking over the market. In decline, the organisation may shed levels of management or positions in all divisions. Additionally, it may outsource work in some areas and thus remove those departments from its structure. Or, as certain products or services are dropped from the organisation, the work units needed for these products and services also may be eliminated. Thus, in the decline stage the organisational chart is likely to be streamlined or shrunken.

6. RESTRUCTURING.

Restructuring occurs when an organisation reduces its workforce by eliminating large numbers of management and line employees. Restructuring typically occurs when information technology can be used to achieve the same productivity outcomes with fewer people. With restructuring, management levels may be eliminated entirely, or entire departments may be removed. This particularly is true if outsourcing accompanies the restructuring.

5.2 DRAW CHART FOR DIFFERENT TYPES OF ORGANISATIONS.

The adoption of a particular form of organisational structure largely depends upon the nature, scale and size of the business. The organisational structure is primarily concerned with the allocation of activities or tasks and delegation of authority.

1. LINE ORGANISATION:

Line organisation is the simplest and the oldest type of organisation. It is also known as scalar organisation or military type of organisation. In the words of J.M. Lundy, "It is characterized by direct lines of authority flowing from the top to the bottom of the organizational hierarchy and lines of responsibility flowing in an opposite but equally direct manner."

An important characteristic of such type of organisation is superior-subordinate relationship. Superior delegates authority to another subordinate and so on, forming a line from the very top to the bottom of the organisation structure. The line of authority so established is referred as "line authority." Under this type of organisation authority flows downwards, responsibility moves upwards in a straight line. Scalar principle and unity of command are strictly followed in line organisation.

This type of organisation resembles with the army administration or military type of organisation. As in case of military, commander-in-chief holds the top most position and has the entire control over the army of the country, which in turn is developed into main area commands under major-generals.

Each area has brigade under brigadier-generals, each brigade is fabricated into regiments under its colonels, each regiment into battalions under majors, each battalion into companies under captains, each company sub-divided under its lieutenants and so on drawn to corporal with his squad.

Types of line organization:

Line organisation is of two type viz. (a) Simple or Pure Line Organisation (b) Departmental Line Organisation

(a) Simple or Pure Line Organisation:

In the 'Pure Line organisation' the activities (at any level of management) are the same with each man performing the same type of work and the divisions primarily exist for the purpose of control and direction. In practice, such type of organisation rarely exists.

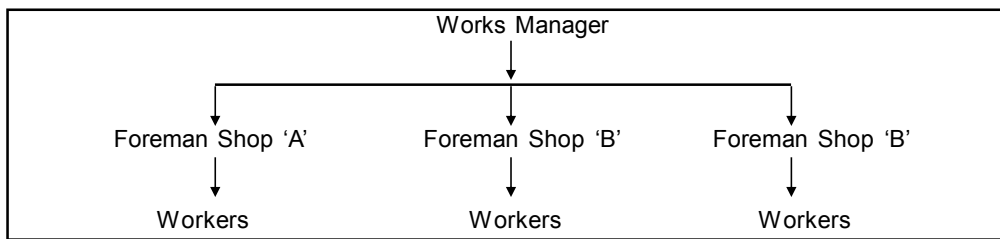342

The following diagram shows the pure line organisation:

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                        Works Manager
                             │
         ┌───────────────────┼───────────────────┐
         ▼                   ▼                   ▼
Foreman Shop 'A'    Foreman Shop 'B'    Foreman Shop 'B'
         │                   │                   │
         ▼                   ▼                   ▼
      Workers             Workers             Workers
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Fig 5.2 : Pure Line Organisation

In this type of organisation all the workers perform the same type of work. The departmental divisions are made only for the sake of convenience of supervision and management.

(b) Departmental line organisation:

Under this type of organisation, an organisation is divided into various departments headed by different departmental heads. All the departments operate under the ultimate control of general manager. The orders flow directly from the general manager to all the departmental heads that in turn pass on to their respective subordinates.

Likewise, the subordinates, inturn, communicate the orders to the workers under them. The various departmental heads will be perfectly independent of each other and they will enjoy equal status the central idea, in the formation of such departments is not similarly or dis-similarity of functions or activities, but unity of control and line authority and responsibility from the top of the organisation to the bottom.

Suitability of line organisation:

The line organisation can be successfully followed where (a) scale of operations is limited or business is on small scale basis, (b) work is simple and routine in nature, (c) business is being done in continuous type of industries like oil refining, sugar, spinning and weaving etc., (d) the labour management problems are not complex and can be easily resolved, (e) the machinery is automatic, and (f) the workers are disciplined.
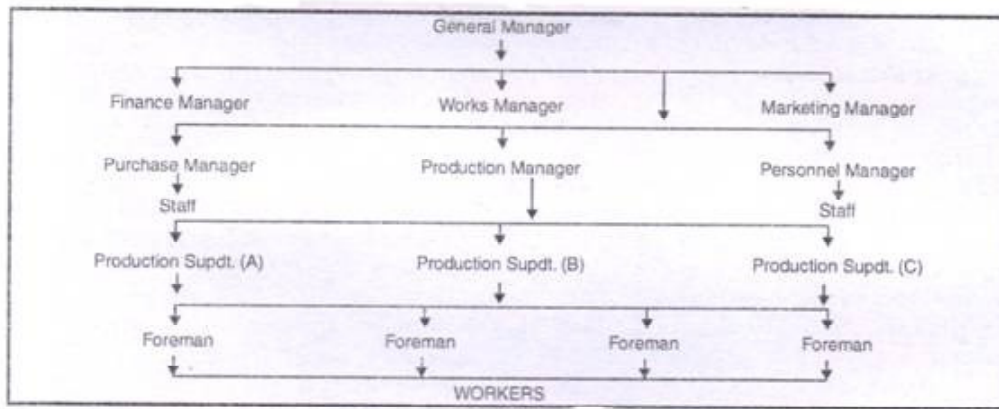
343

Figure 5.3

2. FUNCTIONAL ORGANISATION:

F.W. Taylor, who is better known as the father of scientific management developed the concept of 'Functional Organisation'. As the very name suggests, functional organisation implies that the organisation should be based on various functions. Taylor's functional approach is mainly based on principle of specialization and tries to bring about organisational balance.

The principle of specialisation embodies the concept that both the workers and the supervisors can develop a higher degree of proficiency by separating the manual from the mental requirements. Taylor recommended that there should be functionalisation even at the shop level where workers have to produce goods. He felt that the usual practice of putting one foreman incharge of some 40 to 50 workers should be avoided.

Taylor's concept of Functional Foremanship (as he puts it), is a system comprising of eight different foremen discharging different functions. Every worker in the organisation is directly connected with these foremen.

The eight specialist foremen are:

(a) Route Clerk, (b) Instructions Card Clerk, (c) Time and Cost Clerk, (d) Shop Disciplinarian, (e) Gang Boss, (f) Speed Boss, (g) Repair Boss, and (h) Inspector.

344

The first four bosses operate from Planning Department, whereas the other four are known as Executive Functional Bosses. They function in the production department.

A brief explanation of these eight functional foremen is given below:

(a) **Route clerk**:

He lays down the exact path or route to be followed by raw material transforming it into finished product.

(b) **Instruction card clerk**:

He prepares detailed instructions to be followed in doing the work as per the route laid down by the route clerk.

(c) **Time and cost clerk**:

He determines the total time to be taken in the completion of a product and also works out the cost of production per unit and total cost. He prepares various work schedules and cost sheets in order to have proper control over time and cost incurred in producing goods.

(d) **Shop disciplinarian**:

He is responsible for maintaining proper discipline in the organisation. In fact, he is the guardian of orderliness in the factory. In the words of Kimball and Kimball Jr. "The shop disciplinarian is responsible for discipline and good order, fie is also the peacemaker and assists in adjusting wages." He is helpful in resolving minor disputes regarding wages, holidays, working conditions and hours of work etc. He initiates a proper code of conduct in the organisation.

(e**) Gang boss:**

He makes the availability of different machines and tools required by workers to carry out their work. He also provides various production designs, drawings, raw materials etc.

(f) **Speed boss:**

He controls the speed of different machines operating in the organisation. He sometimes demonstrates the workers the proper speed with which the machines should operate. He undertakes proper supervision over speed of machines.

(g) Repair boss:

He is concerned with proper maintenance and repairs of machines for keeping them in working order. In the words of Spriegel, "His job of maintenance includes cleaning the machine, keeping it free from rust and scratches, oiling it properly and preserving the standards which have been set up for the auxiliary equipment connected with the machine such as belts, counter shafts and clutches." His main task is to undertake immediate repair of the defective machines so that the work may not suffer.

(h) Inspector:

He checks and certifies the quality of work i.e., whether or not it is up to pre-determined standards. Achievement of pre-set standards is confirmed by the inspector. He develops the feeling of quality consciousness among the workers. In order to carry out his job effectively, an inspector must possess proper knowledge and the technicalities involved in quality control.

The following diagram shows Taylor's Functional Foremanship:
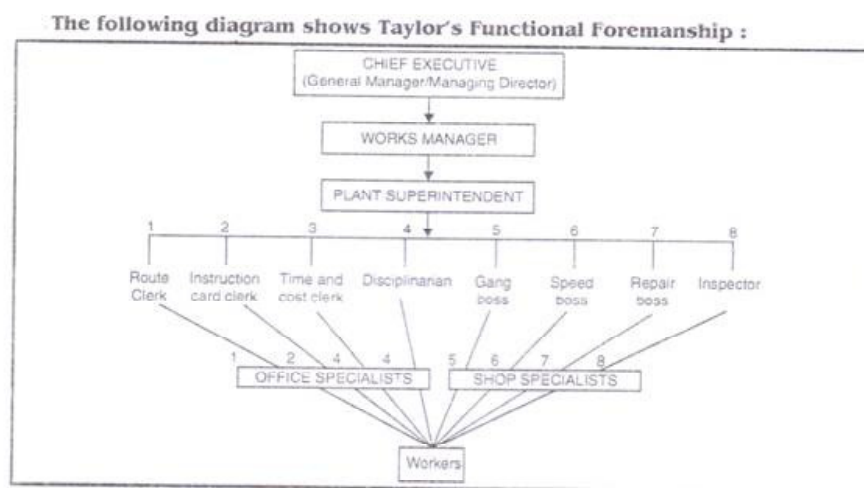
Fig. 5.4 Taylor's Functional Foremanship:

While developing the concept of Functional Foremanship, F.W. Taylor suggested that it is unscientific to overload a foreman with entire responsibility of running a department. He advocated that direction of work should be decided by functions and not be mere authority.

He thought that to be successful in performing his duties a foreman should possess various qualities viz., education, special or technical knowledge, manual dexterity or strength, tact, energy, honesty, common sense and good health".

Spriegel has nicely explained Functional Organisation. "Each worker, instead of coming into contact with one superior, would receive his orders from a group of specialised supervisors, each of whom performs a particular function."

The following diagram shows the functional organisation at the top level :
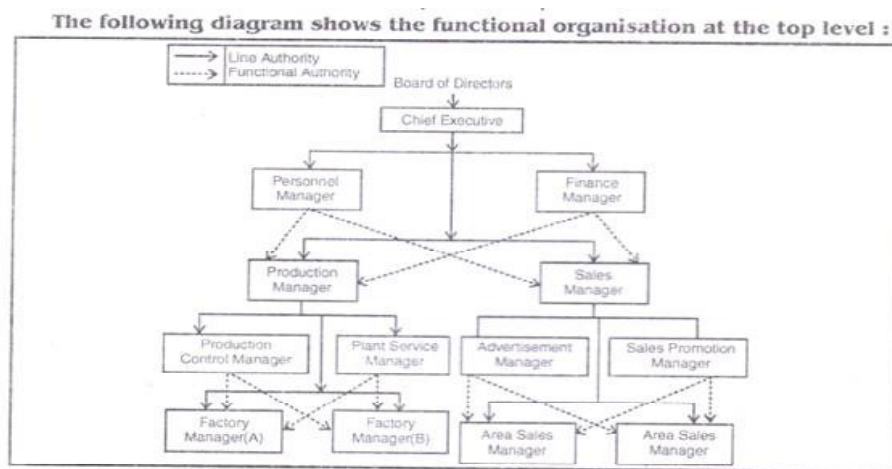
Figure 5.5: Functional organisation

Functional organisation also operates at higher level of management. The whole work in the organisation is divided in various departments. Similar type of work and transactions are put in one department under the control of a departmental manager or head. Various departments are also known as functional areas of management viz., Purchases, Sales, Finance, Production, and Personnel etc. The respective managers of these departments will be responsible for carrying out various activities of their departments in the organisation. For example, marketing manager will be responsible for carrying out marketing activities and personnel manager will be responsible for looking after the personnel matters in all the departments of the organisation.

The underlying idea of functional organisation at the top level of management is that a subordinate anywhere in the organisation will be controlled and commanded directly by number of managers operating in different departments.

3. LINE AND STAFF ORGANISATION:

The line and staff organisation is an improvement over the above mentioned two systems viz, line organisation and functional organisation. The line organisation concentrates too much on control whereas the functional system divides the control too much. The need was, therefore, for a system that will ensure a proper balance between the two. The need has been fulfilled by line and staff organisation. The system like line organisation also owes its birth to army.

The commanders in the field who are line officers are assisted by the staff that helps them in formulating strategies and plans by supplying valuable information. Similarly in organisation, line officers get the advice of the staff which is very helpful in carrying on the task in an efficient manner. However, staff's role is advisory in nature. Line officers are usually assisted by staff officers in effectively solving various business problems.

The staff is usually of three types viz:

(a) **Personal Staff**:

This includes the personal staff attached to Line Officers. For example, personal assistant to general manager, secretary to manager etc. The personal staff renders valuable advice and assistance to Line Officers.
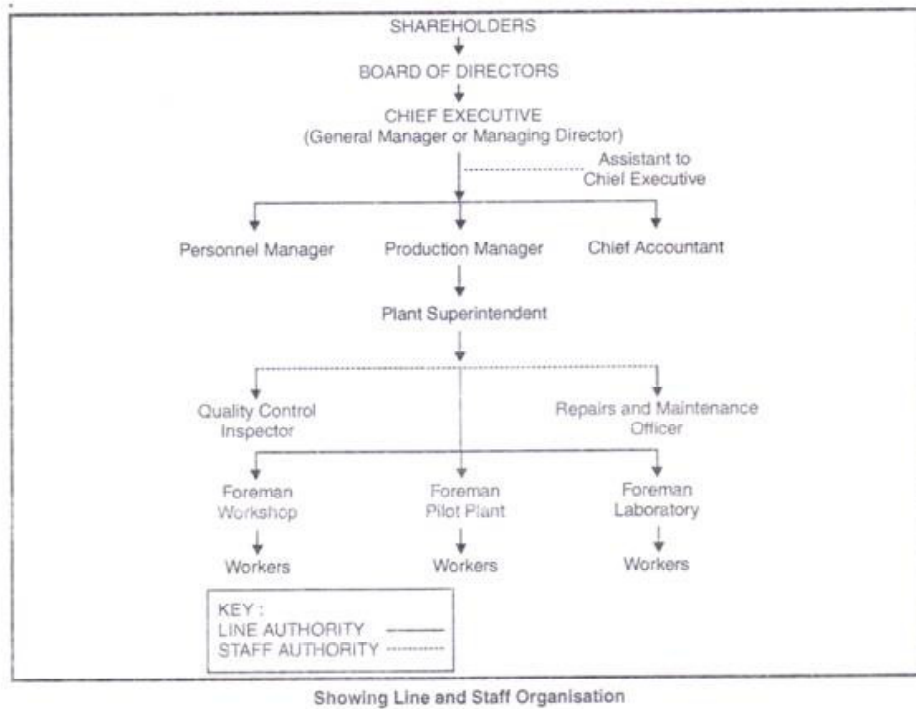
Fig. 5.6 Line and Staff organisation

(b) Specialised Staff:

This category includes various experts possessing specialised knowledge in different fields like accounting, personnel, law, marketing, etc. They render specialised service to the organisation. For example, a company may engage a lawyer for rendering legal advice on different legal matters. Similarly, it may engage a chartered accountant and a cost accountant for tackling accounting problems.

(c) General Staff:

This comprises of various experts in different areas who render valuable advice to the top management on different matters requiring expert advice.

5.3 GIVE GRAPHIC REPRESENTATION OF MASLOW'S THEORY OF MOTIVATION

The psychologist Abraham Maslow's theory of human motivation is 70 years old but continues to have a strong influence on the world of business. What is it, and is it right?

349

There is a commonly reproduced symbol which many believe holds the secret to personal fulfilment and business success. It usually takes the form of a triangle, but variants in the shape of 3D pyramids and staircases are not uncommon. It regularly appears in university psychology modules, and may pop up in other degree courses too. On management training courses it's as inevitable as biscuits and role-playing. In 1943, the US psychologist Abraham Maslow published a paper called **'A Theory of Human Motivation'**, in which he said that people had five sets of needs, which come in a particular order. As each level of needs is satisfied, the desire to fulfil the next set kicks in.

First, we have the basic needs for bodily functioning - fulfilled by eating, drinking and going to the toilet. Then there is the desire to be safe, and secure in the knowledge that those basic needs will be fulfilled in the future too. After that comes our need for love, friendship and company. At this stage, Maslow writes, the individual "may even forget that once, when he was hungry, he sneered at love".

The next stage is all about social recognition, status and respect. And the final stage, represented in the graphic as the topmost tip of the triangle, Maslow labelled with the psychologists' term "self-actualisation". It's about fulfilment - doing the thing that you were put on the planet to do. "A musician must make music, an artist must paint, a poet must write, if he is to be ultimately happy," wrote Maslow. "What a man can be, he must be."

While there were no pyramids or triangles in the original paper, Maslow's hierarchy of needs is now usually illustrated with the symbol. And although the paper was written as pure psychology it has found its main application in management theory.

Fig. 5.7: Pyramid Depicting Maslow's Hierarchy of Needs

"There's no question it's had a profound influence on management education and management practice," says Gerard Hodgkinson, a psychologist at Warwick Business School. "One of the insights is that as managers we can shape the conditions that create people's aspirations." Managers use Maslow's hierarchy to identify the needs of their staff and help them feel fulfilled, whether it's by giving them a pet project, a fancy job title or flexible working arrangements, so they can pursue their interests outside the workplace. In the second half of the 20th Century, bosses began to realise that employees' hopes, feelings and needs had an impact on performance. In 1960, Douglas McGregor published **'The Human Side of Enterprise',** which contrasted traditional managerial styles with a people-centred approach inspired by Maslow. It became a best-seller.

Some managers began to move away from a purely "transactional" contract with a company's staff, in which they received money in exchange for doing a job, to a complex "relational" one, where a company offered opportunities for an individual to feel fulfilled, but expected more in return. Bill O'Brien, President and CEO of Hanover Insurance, put it well in an interview published in 1990. "Our traditional organisations are designed to provide for the first three of Maslow's hierarchy of human needs," he said. "Since these are now widely available to members of industrial society our organisations do not provide significantly unique opportunities to command the loyalty and commitment of our people."

351

According to Douglas Kenrick at Arizona State University, the appeal of Maslow's hierarchy can be explained by the fact that it reflects a pattern of growth we observe in children. "I have a child who is six years old and I noticed that when he was an infant he couldn't care less about public opinion," Kenrick says. "In kindergarten he started to worry about making friends but he didn't really care about getting respect from those people. And now he's in the first grade and you can see he's beginning to think about his friends' opinions and what status they hold him in."

Kenrick also thinks the longevity of the hierarchy of needs can be explained by the pyramid which came to represent it, and which "captures a complicated idea in a very simple way". Maslow's theories have many supporters today, including US hotelier and business guru Chip Conley. But critics point to dozens of counter-examples. What about the famished poet? Or the person who withdraws from society to become a hermit? Or the mountaineer who disregards safety in his determination to reach the summit?

Muddying things slightly, Maslow said that for some people, needs may appear in a different order or be absent altogether. Moreover, people felt a mix of needs from different levels at any one time, but they varied in degree. There is a further problem with Maslow's work. Margie Lachman, a psychologist who works in the same office as Maslow at his old university, Brandeis in Massachusetts, admits that her predecessor offered no empirical evidence for his theory. "He wanted to have the grand theory, the grand ideas - and he wanted someone else to put it to the hardcore scientific test," she says. "It never quite materialised."

However, after Maslow's death in 1970, researchers did undertake a more detailed investigation, with attitude-based surveys and field studies testing out the Hierarchy of Needs.

"When you analyse them, the five needs just don't drop out," says Hodgkinson. "The actual structure of motivation doesn't fit the theory. And that led to a lot of discussion and debate, and new theories evolved as a consequence."

In 1972, Clayton Alderfer whittled Maslow's five groups of needs down to three, labelled Existence, Relatedness and Growth. Although elements of a hierarchy remain, "ERG theory" held that human beings need to be satisfied in all three areas - if that's not possible then

their energies are redoubled in a lower category. So for example, if it is impossible to get a promotion, an employee might talk more to colleagues and get more out of the social side of work.

More sophisticated theories followed. Maslow's triangle was chopped up, flipped on its head and pulled apart into flow diagrams. Hodgkinson says that one business textbook has just been published which doesn't mention Maslow, and there is a campaign afoot to have him removed from the next editions of others. The absence of solid evidence has tarnished Maslow's status within psychology too. But as a result, Lachman says, people miss seeing that he was responsible for a major shift of focus within the discipline.

"He really was ground-breaking in his thinking," Lachman says. "He was saying that you weren't acting on the basis of these uncontrollable, unconscious desires. Your behaviour was not just influenced by external rewards and reinforcement, but there were these internal needs and motivations."

Unlike the psychoanalysts and behaviourists who preceded him, Maslow was not that interested in mental illness - instead of finding out what went wrong with people, he wanted to find out what could go right with them. This opened the door for later movements such as humanistic psychology and positive psychology, and the "happiness agenda" that preoccupies the current UK government.

Maslow's friend, management guru Warren Bennis, believes the quality underlying all Maslow's thinking was his striking optimism about human nature and society.

"Abe Maslow, a Jewish kid who really grew up poor, represented the American dream," he says. "All of his psychology really had to do with possibility, not restraints. His metaphysics were all about the possibilities of change, the possibilities of the human being to really fit into the democratic mode."
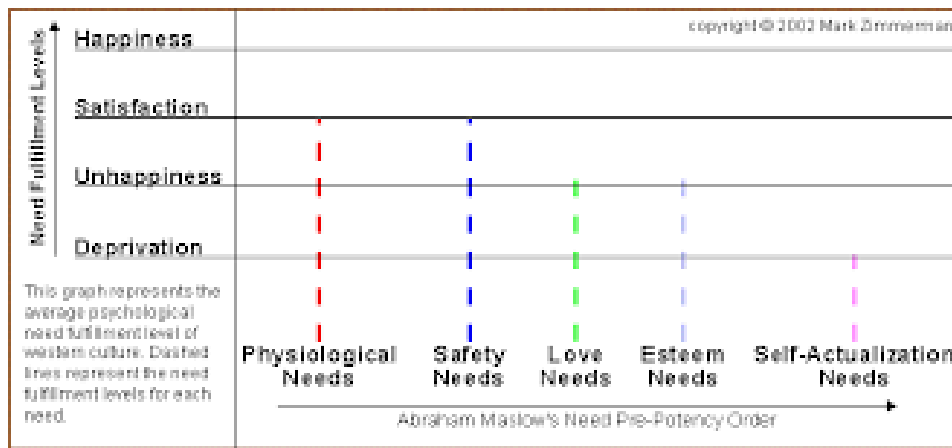
Fig. 5.8 Graphical representation of Maslow's Hierarchy Theory

5.4 CHART OUT DIFFERENT TYPES OF LEADERSHIP STYLES

The total pattern of leaders' actions as perceived by their employees is called leadership style. It represents the leaders' philosophy, skills and attitudes in practice. It is necessary to study the different leadership styles from which an appropriate style can be selected, depending upon the situation in which leadership is to be exercised and the nature of the followers involved.

Positive and Negative Leaders or Bosses

There are different ways in which leaders approach people to motivate them. If the approach emphasizes rewards, the leader uses positive leadership. If the approach emphasizes penalties, the leader is applying negative leadership. Negative leaders should be called bosses rather than leaders.

There are three classes of supervisory techniques – autocratic, participative or consultative and free-rein and corresponding to these three techniques, there are three management styles – autocratic, democratic and laissez-faire. To these one more may be added-paternalistic style.

354

Positive and Negative Approaches

Different ways leaders approach their team:

- Positive leaders use rewards, such as education, independence, etc. to motivate employees, while negative employers use penalties.

- The negative approach has a place in a leader's tools, but it must be used carefully because it hurts morale.

Fig. 5.9 Positive and Negative leadership

1. Autocratic or Authoritarian leadership

An autocratic leader centralizes power and decision-making in himself. He gives orders, assigns tasks and duties without consulting the employees. The leader takes full authority and assumes full responsibility.

Autocratic leadership is negative, based on threats and punishment. Subordinates act as he directs. He neither cares for their opinions nor permits them to influence the decision. He believes that because of his authority he alone can decide what is best in a given situation.

Autocratic leadership is based upon close supervision, clear-cut direction and commanding order of the superior. It facilitates quick decisions, prompt action and unity of direction. It depends on a lesser degree of delegation. But too much use of authority might result in strikes and industrial disputes. It is likely to produce frustration ad retard the growth of the capacity of employees.

The employees work as hard as is necessary to avoid punishment. They will thus produce the minimum which will escape punishment. This leadership style is less likely to be effective because (i) the new generation is more independent and less submissive and not amenable to rigid control; (ii) people look for ego satisfactions from their jobs and (iii) revolution of rising expectations changed the attitude of the people.

Autocratic leadership may be divided into three classes:

(a) The hard-boiled autocrat who relies mainly on negative influences uses the force of fear and punishment in directing his subordinates towards the organisational goals. This is likely to result in employees becoming resentful.

(b) The benevolent autocrat who relies mainly on positive influences uses the reward and incentives in directing his subordinates towards the organisational goals. By using praise and pats on the back he secures the loyalty of subordinates who accept his decisions.

(c) The manipulative autocrat who makes the employees feels that they are participating in decision-making though the manager himself has taken the decision. McGregor labels this style as Theory X.
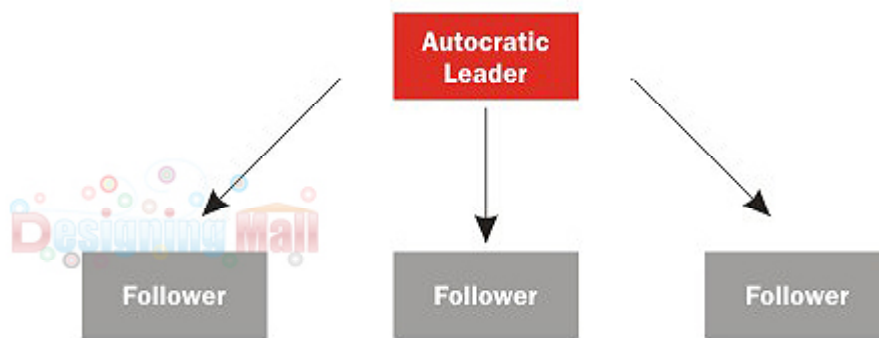
Fig. 5.10 Autocratic Leadership

2. Democratic or Participative leadership

Participative or democratic leaders decentralise authority. It is characterised by consultation with the subordinates and their participation in the formulation of plans and policies. He encourages participation in decision-making. He leads the subordinates mainly through persuasion and example rather than fear and force. Sometimes the leader serves as a moderator of the ideas and suggestions from his group. McGregor labels this style as Theory Y.

Taylor's scientific management was based on the inability of the ordinary employees to make effective decisions about their work. Hence the decision-making power was vested with the management. But recent studies indicate the need for participation by

356

subordinates. The modern trend favours sharing the responsibility with the employees. This will foster enthusiasm in them. The employees feel that management is interested in them as well as in their ideas and suggestions. They will, therefore, place their suggestions for improvement.

Advantages for democratic leadership are as follows:

(i) higher motivation and improved morale;

(ii) increased co-operation with the management;

(iii) improved job performance;

(iv) reduction of grievances and

(v) reduction of absenteeism and employee turnover.
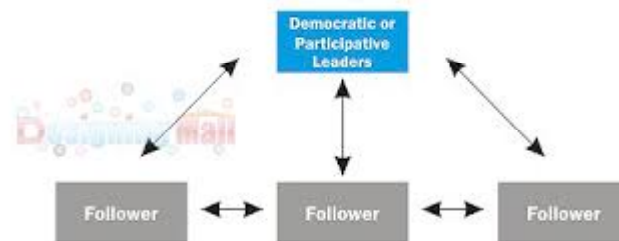
Fig. 5.11 Democratic or participative leadership

3. The Laissez-faire or Free-rein leadership

Free-rein leaders avoid power and responsibility. The laissez-faire or non-interfering type of leader passes on the responsibility for decision-making to his subordinates and takes a minimum of initiative in administration. He gives no direction and allows the group to establish its own goals and work out its own problems.

The leader plays only a minor role. His idea is that each member of the group when left to himself will put forth his best effort and the maximum results can be achieved in this way. The leader acts as an umpire. But as no direction or control is exercised over the people, the organisation is likely to flounder.

An experiment conducted among Boy Scout Clubs of the USA in 1940 shows autocratic leadership is likely to rouse antagonism in the group and produce hostility towards the

leader. In democratic groups, the absence of the leader made little difference, while in autocratic groups productive work dropped to a minimum, when the leader was out of the room.

Democratic leadership is more likely to win the loyalty of the group. The laissez-faire groups also developed friendly approaches to the leader as in the democratic group. But suggestions from the groups were very low and they were also less productive.
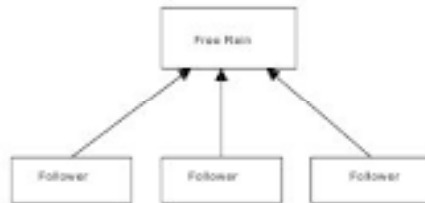

Fig. 5.12: Laissez-faire or Free-rein leadership

4. **Paternalistic leadership**

Under this management style the leader assumes that his function is fatherly or paternal. Paternalism means papa knows best. The relationship between the leader and his group is the same as the relationship between the head of the family and the members of the family. The leader guides and protects his subordinates as members of his family.

As the head of the family he provides his subordinates with good working conditions and fringe benefits. It is assumed that workers will work harder out of gratitude. This leadership style was admirably successful in Japan with her peculiar social background. This leadership style has still been widely prevalent in small firms in India. However, this paternalistic approach is unlikely to work with mature adult employees, many of whom do not like their interests to be looked after by a "godfather." Instead of gratitude, it might generate antagonism and resentment in the subordinates.

5.5 DRAW CONTROL CHART FOR ANY INDUSTRY OR BUSINESS GROUP

Five main steps in the control process with diagram are discussed below:-

Steps In Control Process

1. Fixing the Control Standards / Objectives / Targets

A standard is a criterion (base) which is used to measure the performance of the subordinates. Standards may be of two types, i.e. Quantitative Standards and Qualitative Standards.

Quantitative Standard can be easily defined and measured. For e.g. number of products, number of customers, cost, net profit, time limits, etc.

Qualitative Standard cannot be easily defined and measured. For e.g. measurement of morale, measurement of job satisfaction, measurement of effect of a training programme, advertisement programme, etc. It is better to have quantitative standards because they are measurable. However, today there are many new techniques for measuring qualitative standards.

The standards should be as clear as possible. It should be easily understood by both superiors and subordinates. The responsibility of each individual should also be clearly defined i.e. everyone should be responsible for achieving a particular goal, objective, target, etc. For example- The marketing department fixes a standard - "We will sell 2,000 units of product X in one month". So here the standard is 2,000 units.

2. Measuring the Actual Performances

After establishing the standards, the subordinates should be provided with all the resources for performing the job. They should be properly directed and motivated to perform the job. Similarly, they should be properly supervised. If the subordinated come under Theory X they require maximum supervision. However, if they come, under Theory Y then they require minimum supervision. After they complete the job their performance should be carefully measured. There are many traditional and modern techniques for measuring the performances of subordinates.

For example: After one month, the marketing department sold only 10,000 units of product X. So, their actual performance is only 10,000 units.

3. Comparison

The actual performances of the subordinates are compared with established standards, and then the deviations are found out. The deviations which are found out may be positive or negative.

Positive Deviation means that the actual performances are better than the established standards. Positive deviations should be appreciated. Negative Deviation means that the actual performance is less than the established standards. The management should pay special attention to the negative deviation. They should find out the causes of negative deviations.

Generally, minor (small) deviations are ignored. However, major deviations should be immediately addressed and reported to the top management. PERT, Budgetary Control, Observation, Inspection, Reports, etc. are some of the methods used for comparison.

For example: 10,000 units (Standard) - 9,000 units (Actual Performance) = 1,000 units (Negative Deviation).

4. Corrective Action

After finding out the negative deviations and their causes, the managers should take steps to correct these deviations. Corrective actions should be taken promptly. Corrective action may include, changing the standards, providing better motivation, giving better training, using better machines, etc. The management should take essential steps to prevent these deviations in the future.

For example The cause of the negative deviation was less advertising and untrained salesmen. So, the company must spend reasonable money on advertising and training.

5. Follow-up

After taking corrective action, the management must do a follow-up. Follow-up is done to find out whether the corrective actions are taken properly. It also finds out whether the deviations and their causes are removed. If follow-up is done properly, then the actual performance will be equal to or better than the established standards
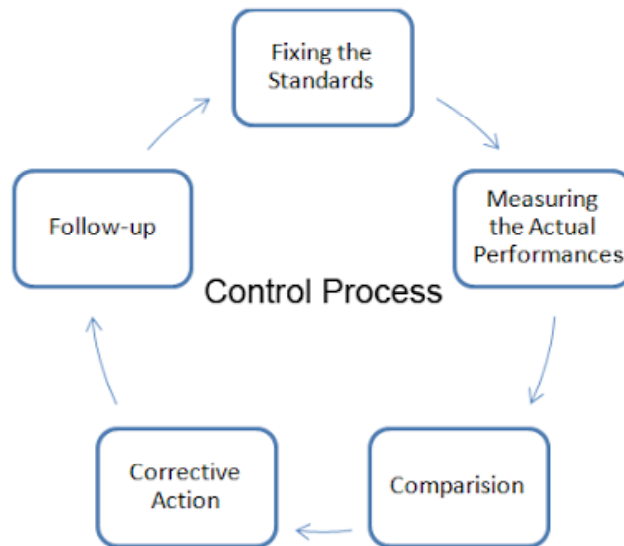
Fig 5.13 Control Process

5.6 GIVE GRAPHIC REPRESENTATION OF MANAGEMENT BY OBJECTIVES (MBO)

For many people working in modern business environments, it's hard to remember a time when non-managerial employees weren't involved with, and interested in, corporate strategy and goals. We are regularly reminded about the corporate mission statement, we have strategy meetings where the "big picture" is revealed to us, and we are invited to participate in some decisions. And we're aware of how our day-to-day activities contribute to these corporate goals.

This type of managing hasn't been around forever: It's an approach called **Management by Objectives**; a system that seeks to align employees' goals with the goals of the organisation. This ensures that everyone is clear about what they should be doing, and how that is beneficial to the whole organisation. It's quite easy to see why this type of managing makes sense – when the parts work in unison the whole works smoothly too. And by focusing on what you're trying to achieve, you can quickly discriminate between tasks that must be completed, and those that are just a waste of valuable time.

Background: Management by Objectives was introduced by Peter Drucker in the 1950s and written about in his 1954 book, *The Practice of Management*. It gained a

361

great deal of attention and was widely adopted until the 1990s when it seemed to fade into obscurity.

Partly, the idea may have become a victim of its own success: It became so much a part of the way business is conducted that it no longer may have seemed remarkable, or even worthy of comment. And partly it evolved into the idea of the Balanced Scorecard, which provided a more sophisticated framework for doing essentially the same thing.

Using Management by Objectives

Peter Drucker outlined the five-step process for MBO shown in Fig.5.14, below. Each stage has particular challenges that need to be addressed for the whole system to work effectively. These steps are explained below:

1. Set or Review Organisational Objectives

MBO starts with clearly defined strategic organisational objectives. If the organisation isn't clear where it's going, no one working there will be either.

2. Cascading Objectives Down to Employees

To support the mission, the organisation needs to set clear goals and objectives, which then need to cascade down from one organisational level to the next until they reach the everyone.

To make MBO goal and objective setting more effective, Drucker used the SMART acronym to set goals that were attainable and to which people felt accountable. He said that goals and objectives must be:

- Specific

- Measurable

- Agreed (relating to the participative management principle)

- Realistic

- Time related

362

Notice the "A" in SMART is "agreed." This is sometimes referred to as "achievable" but, with MBO, agreement about the goals is a critical element: It's not enough for the goals and objectives to be set at the top and then handed down. They must flow, or trickle, down through various stages of agreement. The only goal that is going to be met is one that is agreed on. How much easier is to get buy in when the person responsible for achieving the goal had a hand in developing it?

For each objective, you need to establish clear targets and performance standards. It's by using these that you can monitor progress throughout the organisation. These are also important for communicating results, and for evaluating the suitability of the goals that have been set.

3. Encourage Participation in Goal Setting

Everyone needs to understand how their personal goals fit with the objectives of the organisation. This is best done when goals and objectives at each level are shared and discussed, so that everyone understands "why" things are being done, and then sets their own goals to align with these.

This increases people's ownership of their objectives. Rather than blindly following orders, managers, supervisors, and employees in an MBO system know what needs to be done and thus don't need to be ordered around. By pushing decision-making and responsibility down through the organisation, you motivate people to solve the problems they face intelligently and give them the information they need to adapt flexibly to changing circumstances.

Through a participative process, every person in the organisation will set his or her own goals, which support the overall objectives of the team, which support the objectives of the department, which support the objectives of the business unit, and which support the objectives of the organisation.

In an MBO system, employees are more self-directed than boss-directed. If you expect this type of independent performance from employees, you have to give them the tools they need. Once you have established what it is that someone is accountable for, you must provide the information and resources needed to achieve results. You must also create a mechanism for monitoring progress towards the goals agreed.

363

4. Monitor Progress

Because the goals and objectives are SMART, they are measurable. They don't measure themselves though, so you have to create a monitoring system that signals when things are off track. This monitoring system has to be timely enough so that issues can be dealt with before they threaten goal achievement. With the cascade effect, no goal is set in isolation, so not meeting targets in one area will affect targets everywhere. On the other hand, it is essential that you ensure that the goals are not driving adverse behavior because they have not been designed correctly. For instance, a call center goal of finishing all calls within seven minutes might be useful in encouraging the staff to handle each call briskly, and not spend unnecessary time chatting.

However, it might be that customers' calls were becoming more complex, perhaps because of a faulty new product, and call center operators were terminating the call after 6 minutes 59 seconds in order to meet their target, leaving customers to call back, frustrated. In this situation, the monitoring process should pick up the shift in the goal environment and change the goal appropriately.

Set up a specific plan for monitoring goal performance (once a year, combined with a performance review is not sufficient!) Badly-implemented MBO tends to stress the goal setting without the goal monitoring. Here is where you take control of performance and demand accountability.

Think about all the goals you have set and didn't achieve. Having good intentions isn't enough, you need a clear path marked by accountability checkpoints. Each goal should have mini-goals and a method for keeping on top of each one.

5. Evaluate and Reward Performance

MBO is designed to improve performance at all levels of the organisation. To ensure this happens, you need to put a comprehensive evaluation system in place.

As goals have been defined in a specific, measurable and time-based way, the evaluation aspect of MBO is relatively straightforward. Employees are evaluated on their performance with respect to goal achievement (allowing appropriately for changes in the environment.) All that is left to do is to tie goal achievement to reward, and perhaps compensation, and provide the appropriate feedback.

Employees should be given feedback on their own goals as well as the organisation's goals. Make sure you remember the participative principle: When you present organisation-wide results you have another opportunity to link individual groups' performances to corporate performance. Ultimately this is what MBO is all about and why, when done right, it can spur organization-wide performance and productivity.

When you reward goal achievers you send a clear message to everyone that goal attainment is valued and that the MBO process is not just an exercise but an essential aspect of performance appraisal. The importance of fair and accurate assessment of performance highlights why setting measurable goals and clear performance indicators are essential to the MBO system.

6. Repeat the Cycle

Having gone through this five-stage process, the cycle begins again, with a review of the strategic, corporate goals in the light of performance and environmental monitoring.

When you reward goal achievers you send a clear message to everyone that goal attainment is valued and that the MBO process is not just an exercise but an essential aspect of performance appraisal. The importance of fair and accurate assessment of performance highlights why setting measurable goals and clear performance indicators are essential to the MBO system.

Fig. 5.14: 5 Steps in MBO Process

365