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B.B.A., - I SEMESTER – CORE COURSE - II

(For the candidates admitted from the year 2016-17 onwards)

PRINCIPLES OF MANAGEMENT

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UNIT- II Planning – Concept – Process – Types of Plans – Objectives, Policies, Procedures, Rules, Strategies, Programmes and Budgets-Decision making.

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PRINCIPLES OF MANAGEMENT

UNIT- I Management – Concept – Nature – Management as a Science, an Art and Profession – Process – Levels of Management – Contributions of management thinkers- F.W. Taylor – Henry Fayol and Elton Mayo Management.

Define Management and describe its essential characteristics or nature.

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

According to *F.W. Taylor*, –Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way.

1. The act, manner, or practice of managing; handling, supervision, or control: management of a crisis; management of factory workers.
2. The person or persons who control or direct a business or other enterprise.
3. Skill in managing; executive ability.

Characteristics or Nature of management can be highlighted as: -

1. Management is Goal-Oriented: The success of any management activity is assessed by its achievement of the predetermined goals or objective. Management is a purposeful activity. It is a tool which helps use of human & physical resources to fulfill the pre-determined goals. For example, the goal of an enterprise is maximum consumer satisfaction by producing quality goods and at reasonable prices. This can be achieved by employing efficient persons and making better use of scarce resources.

2. Management integrates Human, Physical and Financial Resources: In an organization, human beings work with non-human resources like machines. Materials, financial assets, buildings etc. Management integrates human efforts to those resources. It brings harmony among the human, physical and financial resources.

3. Management is Continuous: Management is an ongoing process. It involves continuous handling of problems and issues. It is concerned with identifying the problem and taking appropriate steps to solve it. For achieving this target various policies have to be framed but this is not the end. Marketing and Advertising is also to be done. For this policies have to be again framed. Hence this is an ongoing process.

4. Management is all Pervasive: Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various efforts towards a definite purpose. Thus clubs, hospitals, political parties, colleges, hospitals, business firms all require management. Whenever more than one person is engaged in working for a common goal, management is necessary. Whether it is a small business firm which may be engaged in trading or a large firm like Tata Iron & Steel, management is required everywhere irrespective of size or type of activity.

5. Management is a Group Activity: Management is very much less concerned with individual's efforts. It is more concerned with groups. It involves the use of group effort to achieve predetermined goal of management of ABC & Co. is good refers to a group of persons managing the enterprise

6. Organized Activities: Management is a process of organized activities. Groups of people cannot be involved in the performance of activities without organized activities. Management comes into existence where a group of people are involved in achieving a common objective. The organized activities may take a variety of forms ranging from a tightly structured organization to a loosely-knit organization.

7. Existence of Objectives: The existence of objectives is a basic criterion of every human organization. The organizational objectives are the desired state of affairs which an organization

attempts to realize. This realization of objectives is sought through the coordinated efforts of the people constituting an organization.

8. Decision-making: Management process involves decision making at all levels. Decision-making describes the process by which a course of action is selected as the way to deal with a specific problem. If there is only one alternative, the question of decision making does not arise. The quality of alternatives which a manager selects determines the organization's performance, and the future of the organization.

9. Relationship among resources: The essence of management is integration of various organizational resources. Resources include money, machine, materials, and people. Management is concerned with the proper utilization of human resources which, in turn, utilize other resources.

10. Working with and through people: Management involves working with people and getting organizational objectives achieved through them. Working through people is interpreted in terms of assigning activities to subordinates.

11. Multidisciplinary: Management is multidisciplinary because it includes knowledge/information from various disciplines- economics, statistics, maths, psychology, sociology, ecology, 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 organizations.

13. Management is dynamic: Management has framed certain principles, which are flexible in nature and change with the changes in the environment in which an organization exists.

14. Relative, Not Absolute Principles: Management principles are relative, not absolute, and they should be applied according to the need of the organization. A particular management principle has different strengths in different conditions. Therefore, principles should be applied according to the prevailing conditions.

15. Management: Science or Art: Management like other practices- whether medicine, music composition, or even accountancy- is an art. It is know-how. Yet managers can work better by using the organized knowledge about management. It is this knowledge that constitutes science. Thus, managing as practice is an art; the organized knowledge underlying the practice may be referred to as science.

16. 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. Schein concluded that by some criteria management is indeed a profession, but by other criteria it is not. Today we can see many signs that management is working towards increased professionalism.

17. Management is Universal: Management is a universal phenomenon. However, management principles are not universally applicable but are to be modified according to the needs of the situation.

Management as both Science and Art

Management is both an art and a science. The above mentioned points clearly reveal that management combines features of both science as well as art. It is considered as a science because it has an organized body of knowledge which contains certain universal truth. It is called an art because managing requires certain skills which are personal possessions of managers. Science provides the knowledge & art deals with the application of knowledge and skills.

A manager to be successful in his profession must acquire the knowledge of science & the art of applying it. Therefore management is a judicious blend of science as well as an art because it proves the principles and the way these principles are applied is a matter of art. Science teaches to 'know' and art teaches to 'do'. E.g. a person cannot become a good singer unless he has knowledge about various ragas & he also applies his personal skill in the art of singing. Same way it is not sufficient for manager to first know the principles but he must also apply them in solving various managerial problems that is why, science and art are not mutually exclusive but they are complementary to each other (like tea and biscuit, bread and butter etc.). The old saying that —Manager are Born|| has been rejected in favor of —Managers are Made||. It has been aptly

remarked that management is the oldest of art and youngest of science. To conclude, we can say that science is the root and art is the fruit.

The various Concepts of Management.

Meaning of Concept

Concept is the idea or image or understanding about things, activity or a person that emerges in the mind of a person. There are several different concepts about management.

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.

There are three basic concepts of Management 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

Management as a Group of People

We refer to management as a group of people in which we include all those personnel who perform managerial functions in organizations.

We refer to two distinct classes or groups of personnel in the organization. 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.

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 The new concept of management Our Promise is to build a long term relationship based on professionalism, communication, integrity and

Level of Management

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

Managerial Hierarchy consists of-

Top Level Management or senior management Middle Level Management

Lower Level Management such as supervisors or team-leaders

Top-level management

- Require an extensive knowledge of management roles and skills.
- They have to be very aware of external factors such as markets.
- Their decisions are generally of a long-term nature
- Their decisions are made using analytic, directive, conceptual and/or behavioral/participative processes
- They are responsible for **strategic** decisions.
- They have to chalk out the plan and see that plan may be effective in the future.
- They are executive in nature.

These includes board of Directors, CEO's they comprise small groups but are responsible for overall management they formulate plans, decide objectives & communicate to middle level management.

Middle Level of Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle

level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as –

- They execute the plans of the organization in accordance with the policies and directives of the top management.
- They make plans for the sub-units of the organization.
- They participate in employment & training of lower level management.
- They interpret and explain policies from top level management to lower level.
- They are responsible for coordinating the activities within the division or department.
- It also sends important reports and other important data to top level management.
- They evaluate performance of junior managers.
- They are also responsible for inspiring lower level managers towards better performance.

Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to *R.C. Davis*, –Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees|. In other words, they are concerned with direction and controlling function of management. Their activities include –

- Assigning of jobs and tasks to various workers.
- They guide and instruct workers for day to day activities.
- They are responsible for the quality as well as quantity of production.
- They are also entrusted with the responsibility of maintaining good relation in the organization.
- They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers. They help to solve the grievances of the workers.
- They supervise & guide the sub-ordinates.
- They are responsible for providing training to the workers.
- They arrange necessary materials, machines, tools etc for getting the things done.
- They prepare periodical reports about the performance of the workers. • They ensure discipline in the enterprise.
- They motivate workers.
- They are the image builders of the enterprise because they are in direct contact with the workers.

Objectives of Management.

The main objectives of management are:

1. Getting Maximum Results with Minimum Efforts – The main objective of management is to secure maximum outputs with minimum efforts & resources. Management is basically concerned with thinking & utilizing human, material & financial resources in such a manner that would result in best combination. This combination results in reduction of various costs.

2. Increasing the Efficiency of factors of Production – Through proper utilization of various factors of production, their efficiency can be increased to a great extent which can be obtained by reducing spoilage, wastages and breakage of all kinds, this in turn leads to saving of time, effort and money which is essential for the growth & prosperity of the enterprise.

3. Maximum Prosperity for Employer & Employees – Management ensures smooth and coordinated functioning of the enterprise. This in turn helps in providing maximum benefits to the employee in the shape of good working condition, suitable wage system, incentive plans on the one hand and higher profits to the employer on the other hand.

4. **Human betterment & Social Justice** – Management serves as a tool for the upliftment as well as betterment of the society. Through increased productivity & employment, management ensures better standards of living for the society. It provides justice through its uniform policies.

5. **It helps in Achieving Group Goals** – It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.

6. **Optimum Utilization of Resources** – Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses.

7. **Reduces Costs** – It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.

8. **Establishes Sound Organization** – No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship

9. **Establishes Equilibrium** – It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change in external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.

10. **Essentials for Prosperity of Society** – Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living.

The different function of Management

Ans. **Managerial Functions:** Various management scholars studied different organizations at different times; they identified the functions of management in their own ways. Henry Fayol, the father of functional or administrative management remarked: –To manage is to forecast and plan, to organize, to command, to coordinate and to control|| Thus, **Fayol classified management functions into five categories as follows:**

- (i) to forecast and plan,
- (ii) to organize,
- (iii) to command or to give orders,
- (iv) to co-ordinate, and
- (v) to control

Luther Gullick offered a list of administrative functions under the catchword “**PODSCORB**||. Each alphabet of this keyword –PODSCORB|| stands for the following activities: P for Planning, O for Organization, D for Directing, S for Staffing, Co for Coordinating, R for Reporting, and B for Budgeting.

According to Koontz and „O“ Donnell, –The most useful method of classifying managerial activities is to group them around the functions of planning, organizing, staffing, directing, and controlling. – They think that coordination is not a separate function but is the essence of management. Thus, for the sake of analysis of their management process, we can classify the management functions into the following categories:

1. Planning

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, –Planning is deciding in advance – what to do, when to do &

how to do. It bridges the gap from where we are & where we want to be. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

Budgeting Planning involves the following steps.

- (i) Determination of objectives;
- (ii) Forecasting;
- (iii) Formulation of policies and programmes;
- (iv) Preparation of schedules

Planning is a process of seeking answer to some of the following particular questions:

- (i) What is to be done?
- (ii) Why it is to be done?
- (iii) How the work will be done?
- (iv) Who will do the work?
- (v) When the work will be done?
- (vi) Where the work will be done?

Planning pervades at all the levels of organization. But the scope of planning is not the same at each level of organization. Higher the level of organization, the broader the scope of planning. Planning may be long term and short term.

2. Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, —To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

1. Identification of activities.
2. Classification of grouping of activities.
3. Assignment of duties.
4. Delegation of authority and creation of responsibility. Coordinating authority and responsibility relationships.

3. Staffing

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell,

—Managerial function of staffing involves manning the organization structure through proper and effective selection; appraisal & development of personnel to fill the roles designed the structure. Staffing involves:

1. Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
2. Recruitment, selection & placement.
3. Training & development.
4. Remuneration.
5. Performance appraisal.
6. Promotions & transfer.

4. Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life- spark of the enterprise which sets

it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

1. Supervision
2. Motivation
3. Leadership
4. Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

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

5. Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur.

According to Theo Haimann, –Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation||.

According to Koontz & O'Donell –Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished||. Therefore controlling has following steps:

- a. Establishment of standard performance.
- b. Measurement of actual performance.
- c. Comparison of actual performance with the standards and finding out deviation if any.
- d. Corrective action.

Principles of Management.

Management principles are statements of fundamental truth. These principles serve as guidelines for decisions and actions of managers. They are derived through observation and analysis of events which managers have to face in practice

Fayol made his mark as an industrialist with the French coal and iron combine of commentary four chambault where he spent his entire working life. According to Fayol the activities of an industrial organization could be divided into six categories as shown below: -

- TECHNICAL - (Production & Manufacturing)
- COMMERCIAL - (Buying, Selling & Exchange)
- FINANCIAL - (Acquiring & using capital)
- SECURITY - (Protection of Property & Person)
- ACCOUNTING - (Stock taking, Balance sheet, cost & statistics)
- MANAGERIAL - (Planning, Organizing, Command, Control and

There are 14 Principles of Management described by Henri Fayol

1. Division of Work -

The specialization of the workforce according to the skills a person, creating specific personal and professional development within the labour force and therefore increasing productivity; leads to specialization which increases the efficiency of labour. By separating a small part of work, the

workers speed and accuracy in its performance increases. This principle is applicable to both technical as well as managerial work.

2. Authority and Responsibility-

The issue of commands followed by responsibility for their consequences. Authority means the right of a superior to give order to his subordinates; responsibility means obligation for performance. This principle suggests that there must be parity between authority and responsibility. They are co-existent and go together, and are two sides of the same coin.

3. Discipline-

Discipline refers to obedience, proper conduct in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organizations.

4. Unity of Command -

This principle states that every subordinate should receive orders and be accountable to one and only one superior. If an employee receives orders from more than one superior, it is likely to create confusion and conflict. Unity of Command also makes it easier to fix responsibility for mistakes.

5. Unity of Direction -

All those working in the same line of activity must understand and pursue the same objectives. All related activities should be put under one group, there should be one plan of action for them, and they should be under the control of one manager. It seeks to ensure unity of action, focusing of efforts and coordination of strength.

6. Subordination of Individual Interest

The management must put aside personal considerations and put company objectives first. Therefore the interests of goals of the organization must prevail over the personal interests of individuals.

7. Remuneration -

Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity. The quantum and methods of remuneration payable should be fair, reasonable and rewarding of effort.

8. The Degree of Centralization -

The amount of power wielded with the central management depends on company size. Centralization implies the concentration of decision making authority at the top management. Sharing of authority with lower levels is called decentralization. The organization should strive to achieve a proper balance.

9. Scalar Chain -

Scalar Chain refers to the chain of superiors ranging from top management to the lowest rank. The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels. It is considered a chain of command. It involves a concept called a "**gang plank**" using which a subordinate may contact a superior or his superior in case of an emergency, defying the hierarchy of control. However the immediate superiors must be informed about the matter

10. Order -

Social order ensures the fluid operation of a company through authoritative procedure. Material order ensures safety and efficiency in the workplace.

11. Equity -

Employees must be treated kindly, and justice must be enacted to ensure a just workplace. Managers should be fair and impartial when dealing with employees.

12. Stability of Tenure of Personnel -

The period of service should not be too short and employees should not be moved from positions frequently. An employee cannot render useful service if he is removed before he becomes accustomed to the work assigned to him.

13. Initiative -

Using the initiative of employees can add strength and new ideas to an organization. Initiative on the part of employees is a source of strength for the organization because it provides new and better ideas.

14. **Esprit de Corps** -

This refers to the need of managers to ensure and develop morale in the workplace; individually and communally. Team spirit helps develop an atmosphere of mutual trust and understanding. These can be used to initiate and aid the processes of change, organization, decision making, skill management and the overall view of the management function.

Fredrick Winslow Taylor commonly known as "**Father of Scientific Management**" started his career as an operator and rose to the position of chief engineer. He conducted various experiments during this process which forms the basis of scientific management. It implies application of scientific principles for studying & identifying management problems.

According to Taylor, —Scientific Management is an art of knowing exactly what you want your men to do and seeing that they do it in the best and cheapest way||. In Taylors view, if a work is analysed scientifically it will be possible to find *one best way* to do it.

Hence scientific management is a thoughtful, organized, dual approach towards the job of management against hit or miss or Rule of Thumb.

According to *Drucker*, —The cost of scientific management is the organized study of work, the analysis of work into simplest element & systematic management of worker's performance of each element||.

Principles of Scientific Management. Ans.

i) Development of Science for each part of men's job (replacement of rule of thumb)

This principle suggests that work assigned to any employee should be observed, analyzed with respect to each and every element and part and time involved in it.

1. This means replacement of odd rule of thumb by the use of method of enquiry, investigation, data collection, analysis and framing of rules.
- 2 Under scientific management, decisions are made on the basis of facts and by the application of scientific decisions.

ii) Scientific Selection, Training & Development of Workers

1. There should be scientifically designed procedure for the selection of workers.
2. Physical, mental & other requirement should be specified for each and every job.
3. Workers should be selected & trained to make them fit for the job.
4. The management has to provide opportunities for development of workers having better capabilities.
5. According to Taylor efforts should be made to develop each employee to his greatest level and efficiency & prosperity.

iii) Co-operation between Management & workers or Harmony not discord

1. Taylor believed in co-operation and not individualism.
2. It is only through co-operation that the goals of the enterprise can be achieved efficiently.
3. There should be no conflict between managers & workers.
4. Taylor believed that interest of employer & employees should be fully harmonized so as to secure mutually understanding relations between them.

iv) Division of Responsibility

1. This principle determines the concrete nature of roles to be played by different level of managers & workers.
2. The management should assume the responsibility of planning the work whereas workers should be concerned with execution of task.
3. Thus planning is to be separated from execution.

v) Mental Revolution

1. The workers and managers should have a complete change of outlook towards their mutual relation and work effort.

2. It requires that management should create suitable working condition and solve all problems scientifically.
3. Similarly workers should attend their jobs with utmost attention, devotion and carefulness. They should not waste the resources of enterprise.
4. Handsome remuneration should be provided to workers to boost up their moral.
5. It will create a sense of belongingness among worker.
6. They will be disciplined, loyal and sincere in fulfilling the task assigned to them.
7. There will be more production and economical growth at a faster rate.

vi) Maximum Prosperity for Employer & Employees

1. The aim of scientific management is to see maximum prosperity for employer and employees.
2. It is important only when there is opportunity for each worker to attain his highest efficiency.
3. Maximum output & optimum utilization of resources will bring higher profits for the employer & better wages for the workers.
4. There should be maximum output in place of restricted output.
5. Both managers & workers should be paid handsomely.

Criticism of Scientific Management

Although it is accepted that the scientific management enables the management to put resources to its best possible use and manner, yet it has not been spared of severe criticism.

Workers Viewpoint

- 1. Unemployment** – Workers feel that management reduces employment opportunities from them through replacement of men by machines and by increasing human productivity less workers are needed to do work leading to chucking out from their jobs.
- 2. Exploitation** – Workers feel they are exploited as they are not given due share in increasing profits which is due to their increased productivity. Wages do not rise in proportion as rise in production. Wage payment creates uncertainty & insecurity (beyond a standard output, there is no increase in wage rate).
- 3. Monotony** – Due to excessive specialization the workers are not able to take initiative on their own. Their status is reduced to being mere cogs in wheel. Jobs become dull. Workers loose interest in jobs and derive little pleasure from work.
- 4. Weakening of Trade Union** – To everything is fixed & predetermined by management. So it leaves no room for trade unions to bargain as everything is standardized, standard output, standard working conditions, standard time etc. This further weakens trade unions, creates a rift between efficient & in efficient workers according to their wages.
- 5. Over speeding** – the scientific management lays standard output, time so they have to rush up and finish the work in time. These have adverse effect on health of workers. The workers speed up to that standard output, so scientific management drives the workers to rush towards output and finish work in standard time.

Contribution of Mayo in Developing Management Thought

His main contributions are discussed as follows:

1. Human Relations Approach:

Mayo is rightly called the father of human relations movement. His ideas were a milestone and a turning point in human relations approach of the management. He recognised the importance of human beings in management. He said that human beings are complex and influential input into organisational performance. The social and psychological needs of human beings cannot be ignored, if management wants to enhance productivity.

2. Non-Economic Awards:

The earlier assumption was that workers will work more if they are offered more monetary incentives. Taylor was the main proponent of this approach. Elton Mayo said that the techniques of economic incentives were not only inadequate but also unrealistic. He was able to show that humane and respectful treatment, sense of participation and belonging, recognition, morale, human pride and social interaction are sometimes more important than pure monetary rewards.

3. Social Man:

Mayo developed a concept of 'social man'. He said that man is basically motivated by social needs and obtains his sense of identity through relationships with others. He is more responsive to the social forces of the informal group rather than managerial incentives and controls. He also related productivity to a social phenomenon.

4. Organisation as a Social System:

Mayo was of the view that informal relationships in the organisation are more effective than formal relationships. People form informal groups to give a bent to their feelings and seek guidance for action from such groups.

In Mayo's words, "An organisation is a social system, a system of cliques, grapevines, informal status systems, rituals and a minute of logical, non-logical and illogical behaviour." He was of the opinion that managers should maintain an equilibrium between the logic of efficiency' demanded by the formal organisation. He thought that besides logic and facts people are also guided by sentiments and feelings.

Define Administration.

According to Theo Haimann, –Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and project. It refers to the activities of higher level. It lays down basic principles of the enterprise.

According to Newman, –Administration means guidance, leadership & control of the efforts of the groups towards some common goal.

The difference between Management and Administration can be summarized under 2 categories: -

1. Functions
2. Usage / Applicability

On the basis Functions

Basis	Management	Administration
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre- determined goals.	It is concerned with formulation of broad objectives, plans & policies.
Nature	Management is an executing function.	Administration is a decision- making function.
Process	Management decides who should do it & how should he do it.	Administration decides what is to be done & when it is to be done.
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it.
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & lower level function	Top level function

On the Basis of Usage: -

Basis	Management	Administration
Applicability	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
Influence	The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.	The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.
Status	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages).	Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend.

UNIT- II Planning – Concept – Process – Types of Plans – Objectives, Policies, Procedures, Rules, Strategies, Programmes and Budgets-Decision making.

Planning is the basic function of management. Planning is the process of bridging the gap between where we are and where we want to be in the future. In other words, planning is –looking ahead, relating today’s events with tomorrow’s possibilities.||

According to KOONTZ, –Planning is deciding in advance – what to do, when to do & how to do. It bridges the gap from where we are & where we want to be.

A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals.

Planning is a process of seeking answer to some of the following particular questions:

- (i) What is to be done?
- (ii) Why it is to be done?
- (iii) How the work will be done?
- (iv) Who will do the work?
- (v) When the work will be done?
- (vi) Where the work will be done?



Importance of Planning

- It helps managers to **improve future performance**, by establishing objectives and selecting a course of action, for the benefit of the organisation.
- It **minimises risk and uncertainty**, by looking ahead into the future.
- It **facilitates the coordination of activities**. Thus, reduces overlapping among activities and eliminates unproductive work.
- It states in advance, what should be done in future, so it provides **direction for action**.
- It uncovers and identifies **future opportunities and threats**.
- It **sets out standards for controlling**. It compares actual performance with the standard performance and efforts are made to correct the same.

Steps in Planning Function

Planning function of management involves following steps:-

1. Establishment of objectives

- a. Planning requires a systematic approach.
- b. Planning starts with the setting of goals and objectives to be achieved.
- c. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
- d. Moreover objectives focus the attention of managers on the end results to be achieved.

e. As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.

2. Establishment of Planning Premises

1. Planning premises are the assumptions about the likely shape of events in future.
2. They serve as a basis of planning.
3. Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.
4. It is to find out what obstacles are there in the way of business during the course of operations.
5. Establishment of planning premises is concerned to take such steps that avoid these obstacles to a great extent.

3. Choice of alternative course of action

1. When forecasts are available and premises are established, a number of alternative courses of actions have to be considered.
2. For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
3. The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.
4. After objective and scientific evaluation, the best alternative is chosen.
5. The planners should take help of various quantitative techniques to judge the stability of an alternative.

4. Formulation of derivative plans

- a. Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.
- b. Secondary plans will flow from the basic plan. These are meant to support and expedite the achievement of basic plans.
- c. These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.
- d. Derivative plans indicate time schedule and sequence of accomplishing various tasks.

5. Securing Co-operation

- a. After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.
- b. The purposes behind taking them into confidence are :-
 - a. Subordinates may feel motivated since they are involved in decision making process.
 - b. The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.
 - c. Also the employees will be more interested in the execution of these plans.

6. Follow up/Appraisal of plans

- a. After choosing a particular course of action, it is put into action.
- b. After the selected plan is implemented, it is important to appraise its effectiveness.
- c. This is done on the basis of feedback or information received from departments or persons concerned.
- d. This enables the management to correct deviations or modify the plan.
- e. This step establishes a link between planning and controlling function.

Types of Planning:

The process of planning may be classified into different categories on the following basis:

(i) Nature of Planning:

- a. Formal planning.
- b. Informal planning.
- (ii) Duration of planning:
 - a. Short term planning.
 - b. Long term planning.
- (iii) Levels of Management:
 - a. Strategic planning.
 - b. Intermediate planning.
 - c. Operational planning.
- (iv) Use:
 - a. Standing plans
 - b. Single-use plans.

(i) Nature of Planning:

a. Formal Planning:

Planning is formal when it is reduced to writing. When the numbers of actions are large it is good to have a formal plan since it will help adequate control.

The term formal means official and recognised. Any planning can be done officially to be followed or implemented. Formal planning is aims to determine and objectives of planning. It is the action that determine in advance what should be done.

b. Informal Planning:

An informal plan is one, which is not in writing, but it is conceived in the mind of the manager. Informal planning will be effective when the number of actions is less and actions have to be taken in short period.

(ii) Duration of Planning:

a. Short term Planning:

Short term planning is the planning which covers less than two years. It must be formulated in a manner consistent with long-term plans. It is considered as tactical planning. Short-term plans are concerned with immediate future; it takes into account the available resources only and is concerned with the current operations of the business.

b. Long-Term Planning:

Long-term planning usually converse a period of more than five years, mostly between five and fifteen years. It deals with broader technological and competitive aspects of the organisation as well as allocation of resources over a relatively long time period. Long-term planning is considered as strategic planning.

Short-term planning covers the period of one year while long term planning covers 5-15 years. In between there may be medium-term plans. Usually, medium term plans are focusing on between two and five years. These may include plan for purchase of materials, production, labour, overhead expenses and so on.

(iii) Levels of Management:

a. Strategic Planning:

The strategic planning is the process of determining overall objectives of the organisation and the policies and strategies adopted to achieve those objective. It is conducted by the top management, which include chief executive officer, president, vice-presidents, General Manger etc. It is a long range planning and may cover a time period of up to 10 years.

It basically deals with the total assessment of the organisation's capabilities, its strengths and its weaknesses and an objective evaluation of the dynamic environment. The planning also determines the direction the company will be taking in achieving these goals.

b. Intermediate Planning:

Intermediate planning cover time frames of about 6 months to 2 years and is contemplated by middle management, which includes functional managers, department heads and product line mangers. They also have the task of polishing the top managements strategic plans.

The middle management will have a critical look at the resources available and they will determine the most effective and efficient mix of human, financial and material factors. They refine the broad strategic plans into more workable and realistic plans.

c. Operational Planning:

Operational planning deals with only current activities. It keeps the business running. These plans are the responsibility of the lower management and are conducted by unit supervisors, foremen etc. These are short-range plans covering a time span from one week to one year.

These are more specific and they determine how a specific job is to be completed in the best possible way. Most operational plans are divided into functional areas such as production, finance, marketing, personnel etc.

(iv) Use:

a. Standing Plan:

Standing plan is one, which is designed to be used over and over again. Objectives, policies, procedures, methods, rules and strategies are included in standing plans. Its nature is mechanical. It helps executives to reduce their workload. Standing plan is also called routine plan. Standing or routine plan is generally long range.

b. Single Use Plan:

Single use plan is one, which sets a course of action for a particular set of circumstances and is used up once the particular goal is achieved. They may include programmes, budgets, projects and schedules. It is also called specific planning. Single use plan is short range.

Components of Planning/Planning Techniques:

Planning consists of several individual plans or components of planning, which are usually bound together.

- (i) Forecasting.
- (ii) Objectives.
- (iii) Policies.
- (iv) Programmes.
- (v) Strategies.
- (vi) Schedules.
- (vii) Procedures.
- (viii) Rules, and
- (ix) Budgets.

i. Forecasting:

Forecasting becomes an integral part of the planning process. It is a prediction of future events and conditions. It, therefore, includes both the assessment of the future and the provision for it. It helps to reduce the uncertainties that surround management, decision making.

ii. Objectives:

Objectives are the ends toward which activity is aimed— they are the results to be achieved. They represent not only the end point of planning but also the end toward which organising, staffing, leading and controlling are aimed.

Organisation can grow without any difficulty if it has well-defined objectives. These objectives should be clearly defined and communicated throughout the organisation. Such objectives must be realistic.

iii. Policies:

Koontz and O'Donnell defines "policies are general statements or undertakings which guide or channel thinking in decision-making of subordinates." So, policies act as guides to thinking and action of subordinates in the organisations. It should be clearly prescribed and understandable by all.

iv. Programmes:

It refers to the course of action of work to be carried out in proper sequence for the purpose of achieving specific objectives.

v. Strategies:

Konnoz and Heinz Weihrich defined strategies as “a general programme of action and deployment of resources to attain comprehensive objectives” or “the determination of the basic long-term objectives of an enterprise “and the adoption of courses of action and allocation of resources necessary to achieve these goals. It is specific type of plan for achieving organisational goals.

vi. Schedules:

Fixing a time sequence for every operation is known as schedules. Normally it forms part of programming a part of action plan.

vii. Procedures:

Procedures are plans that establish a required method of handling future activities. They are guides to action, rather than to thinking and they detail the exact manner in which certain activities must be accomplished. They are chronological sequences of required actions.

viii. Rules:

Rules spell out specific required actions or non-actions, following no direction. They are usually the simplest type of plan.

ix. Budgets:

A budget is a statement of expected results expressed in numerical term. It may be referred to as a numbered programme. A budget may be expressed either in financial terms or in terms of labour-hours, units of product, machine hours, or any other numerically measurable term. It helps the organisation to control the action by comparing budgetary and actual results.

Advantages of Planning

Planning is an important per-requisite for attaining the cherished goals of a business enterprise. Of all the managerial activities, it comes first because of the following benefits:

1. Planning leads to more effective and faster achievements in any organization.
2. Since planning foresees the future and also makes a provision for it, it gives an added strength to the business for its steady growth and continuous prosperity.
3. It secure unity of purpose, direction and effort by focusing attention on the objectives. Hence, unnecessary duplication, overlapping and cross-purpose workings are eliminated.
4. It has the effect of minimizing the cost of operations.
5. It ensures an even flow of work, minimizes false steps and protects against unwanted deviations.
6. It enhances the efficiency of other managerial functions.
7. It provides an effective basis for control in all organizations whether small or big.
8. It facilitates the process of decision-making.

Limitations of Planning

Planning aims at forecasting and providing a means for examining the future and drawing up a plan of action. The very purpose of planning is to develop creative and innovative policies to guide company’s activities in the market place. This is not an easy task. There are many obstacles in the path leading to successful planning. They are:

1. Accuracy of facts and information about the future is one of the limitations of planning.

According to Terry,

“no manager can predict completely and accurately the events of the future”.

Managerial planning can be made accurately only if the events in future are predicted accurately. Often adequate facts may not be available.

2. Time, money and effort are required in the collection and analysis of data and in the formulation and revision of plans. It is a time consuming process. It is an expensive process. Planning is useful only when the expected gains from it exceed its costs. Often it is remarked that the cost of planning is in excess of its actual contribution.

3. Planning takes time i.e., adequate time. Sometimes, it may cause delay in taking decisions. A manager may be bogged down by procedures, rules, etc., when quick decision is essential.

4. Planning may create a false opinion that all problems will be solved if the plans are implemented. In practice, management has to revise the plans continuously and check on their execution.

UNIT-III Organizing – Concept –Principles– Elements of Organization process – Types of organization – Delegation – Departmentation – Centralization – Decentralization.

Organising or **Organizing** in management refers to the relationship between people, work and resources used to achieve the common objectives (goals).

According to **Theo Haimann**,

"Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them."

According to **Louis Allen**,

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

Concept of Organizing

Organizing is the next important function of management which involves arranging and structuring the work which is required to accomplish the organizational objectives. Normally organizing is known as structure, process, a group of people and function of management. To understand the concept of an organization, it is necessary to define the following terms.

- **As a structure:**
Organizing as a structure refers to a hierarchical arrangement of a position of the members and the department of an organization. It shows authority and responsibility relationship among the members. It identifies who is to command and who is to obey. It is the mechanism to direct, coordinate and control the activities. It is the static concept that cannot be changed easily and quickly.
- **As a process:**
Organizing as a process refers to the identification and grouping of activities to be done, assigning duties to the people, creating authority responsibility relationship and coordinating activities among the members and departments. It normally determines, arranges, group and assign the task to its members. It is a dynamic concept as the activities can be arranged and changed according to the requirements of the company.
- **As a function:**
Organizing is an important function after planning. The manager of the company organize or collect resources such as manpower, money, material, machine, methods, etc. They are needed to put the action on the track. Without organizing function, it is not possible to move forward.
- **As a group of people:**
Organizing is the group or association of certain people created for certain specific economic interest or non-economic interest. It is guided by the policy or the rules of the company, school, colleges, hospital, government office, club, etc.

Principle of Organizing

The principle of organizing guides the organizing function of management. Some principles are:

1. **Scalar Principle:**
It is also known as 'chain of command'. It is an unbroken line of command/ authority from the top level to the bottom of an organization. This chain of command should be short and clear. If it could be, the decision-making and communication will be more effective and efficient.
2. **Principle of flexibility:**
The organizational structure should be flexible. It should be adaptable to changing

circumstances or situation. It should easily permit any expansion and replacement without dislocating the basic design of the organization.

3. **Principle of authority:**

Authority means the right and power. It is the tool which makes the manager able to accomplish the desired goals. Hence, the authority of each manager should be clearly defined and it should equal to responsiveness.

4. **Principle of delegation:**

Under this principle of delegation of authority, rights, and power should be equal to responsibility so as to enable each manager to accomplish the task assigned to him/her.

5. **Principle of unity of command:**

According to the principle of unity of command, each subordinate should have one superior, whose command has to be obeyed. If a person is to receive a direction from several superior, it may result in confusion, chaos, conflict, and indiscipline. So, there should be unity of command in an organization.

6. **Principle of the span of control:**

The span of control is a principle or it is a device, with the help of which a number of subordinates can be controlled, their number can be determined and the activities can be supervised. A manager cannot handle an unlimited number of subordinates. Hence, it guides and helps to determine the numerical limit of subordinates to be supervised or controlled by the manager. If the numbers of subordinates are limited, a manager can control and supervise effectively. But the number of subordinates may vary depending upon the nature of the job, the competence of manager and quality of subordinates.

7. **Principle of unity of objectives:**

Organizing helps to achieve the goals and objectives of the organization which affects the organizational structure. So, the goals and objectives of an organization should be clearly defined. The objectives should be defined very clearly for each department, for each section and even for each position of the organizational structures. All the objectives should be unified in such a way that it could facilitate to concentrate all the efforts towards the attainment of an organizational goal.

8. **Principle of efficiency:**

The organization should increase its efficiency in such a way that the cost or expenditure of mission and objectives of the enterprise below. An efficient organizational structure helps to operate the resources efficiently. Hence, it ensures optimum utilization of resources.

9. **Principle of a division of works:**

Division of work can be created where the separate nature of jobs can be performed. Effective departmentation as per the work and task can be created and it is an important principle of the organization.

10. **Principle of unity of direction:**

There should be one objective (unified objective) and plan for the group activities. If it could be a direction from the superior it will be the same to all subordinates. All the subordinates will be receiving the same direction in their respective works and thus under this principle of unity of direction, they will be free from dilemma about obeying diversified direction. This will also facilitate the verification and coordination of activities.

11. **Principle of simplicity:**

This principle emphasizes the simplicity of the organizational structure. If there exist a long member of levels in an organization, there is a possibility of difficulty in communication and coordination. It clears that the activities and the system of an organization should be simple and easy to understand.

12. **Principle of responsibility:**

The principle of responsibility makes the superior responsible for their authority. In a sound organization, the superior is responsible for the performance of subordinates. The authority can be delegated but not responsibility.

13. Principle of balance:

There should be a proper and reasonable balance in works and activities and the size of departments within the organization. Further, there should also be a reasonable balance between centralization and decentralization. Overemphasis of any type and preferences to anyone should be avoided.

14. Principle of specialization:

The principle of effective organization provokes specialization. Under this principle of specialization, the total task of an organization is divided in such a manner that every person is confined to a single and particular job, which leads to specialization of work.

Organisation Process

Organizing, like planning, must be a carefully worked out and applied process. This process involves determining what work is needed to accomplish the goal, assigning those tasks to individuals, and arranging those individuals in a decision-making framework (organizational structure).

The Organization Process Chart

Following is a representation of organization process chart.



A well-defined organizing process leads to improved communication, transparency and efficiency in the organization.

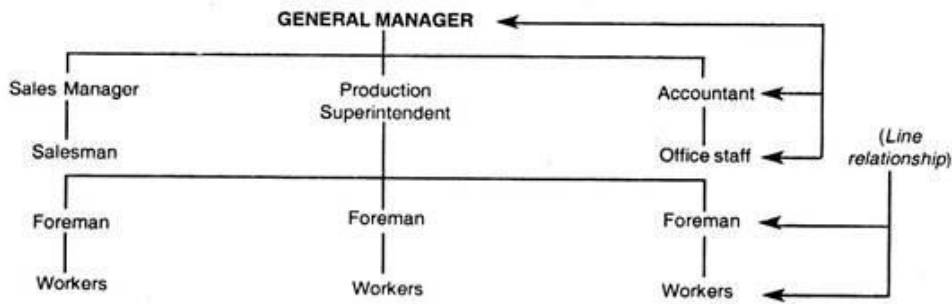
Types of Organisation

According to different methods of distribution of authorities and responsibilities, the organisations are of following types: 1. Line or Scalar Organisation 2. Functional Organisation 3. Line and Staff Organisation 4. Line, Staff and Functional Organisation 5. Committee Organisation.

1. Line or Scalar Organisation:

This type of organisation is also known as departmental or military type of organisation. In this type of organisation business activities are divided into three groups, namely finance and accounts, production and sales. Each of this department is sub-divided into certain self-contained departments, i.e., sections.

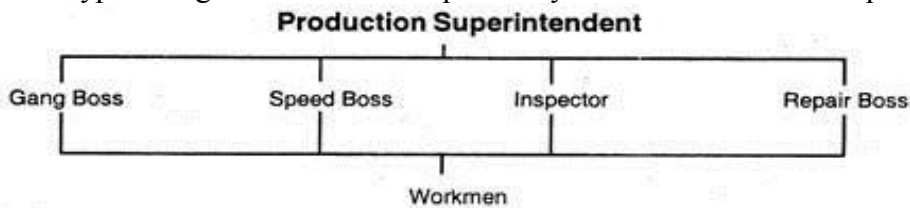
The following is the chart of line organisation:



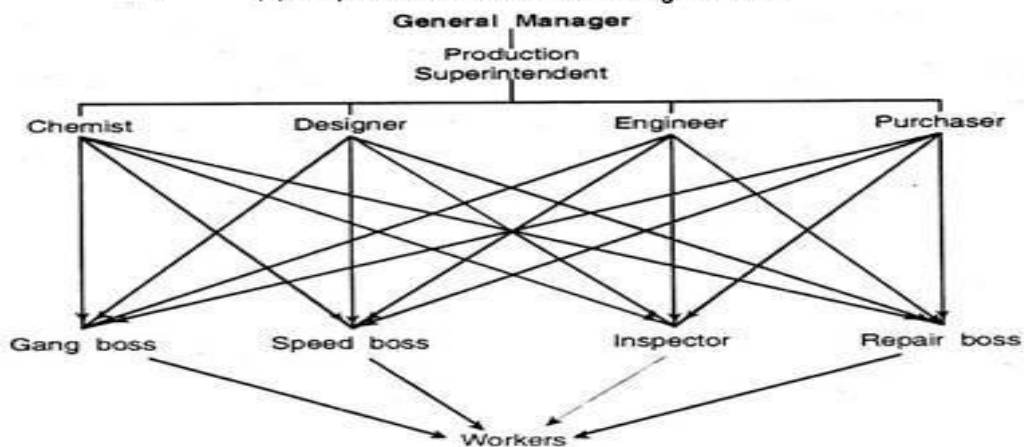
(a) Chart of Line Organisation

2. Functional Organisation:

The difficulties in finding all round qualified man to be foreman in the line organisation are overcome with this type of organisation. He is replaced by various functionalised people.



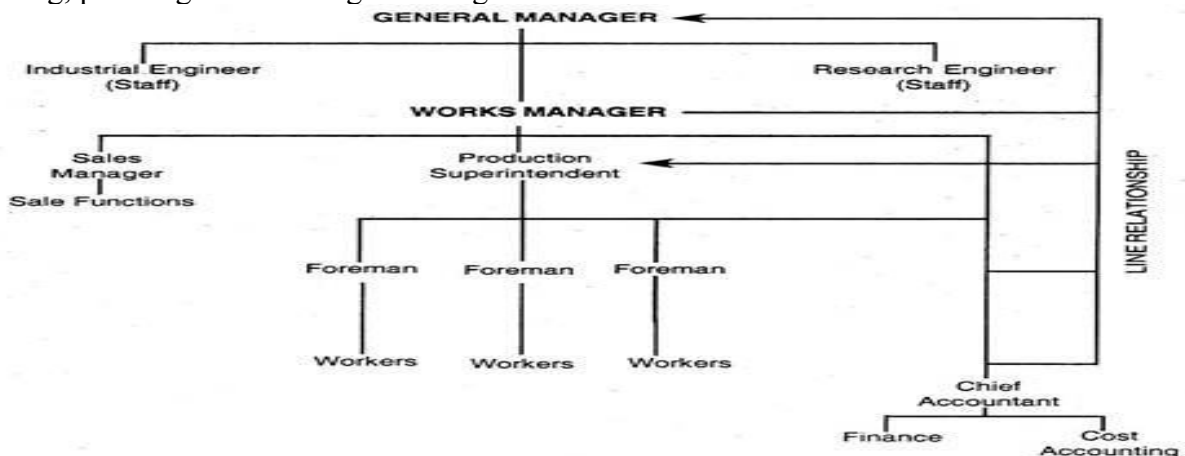
(b) Simplified Chart of Functional Organisation



(c) Detailed Chart of Functional Organisation.

3. Line and Staff Organisation:

In a firm of large size operating on big scale, managers cannot give careful attention to every part of management. They are unable to think and plan. They are busy with ordinary task of production and selling. Hence 'Some Staff is deputed to other works like investigation, research, recording, planning and advising to managers.



(d) Chart of a Line and Staff Organisation.

4. Line, Staff and Functional Organisation:

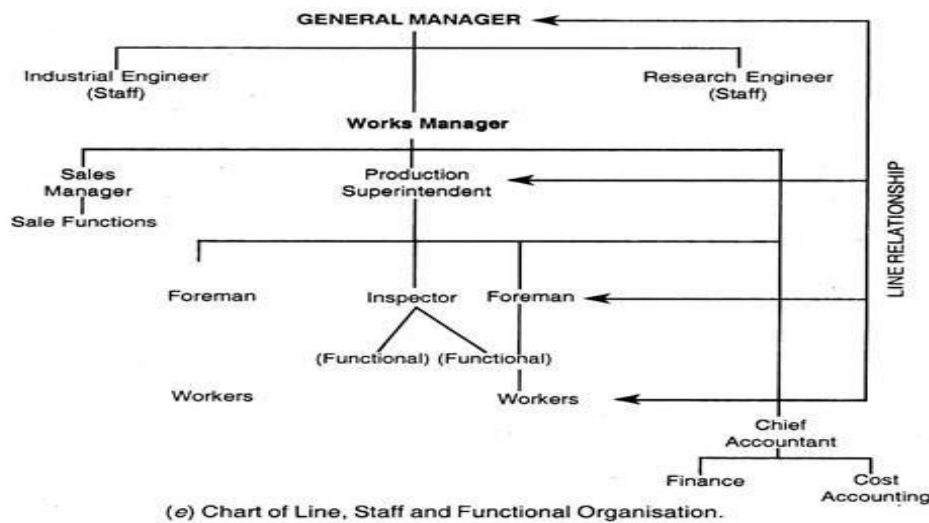
Because of scientific methods, enough market competition and complications in the business, to obtain a sound system, the combination of line, staff and functional type of organisation is required.

In this system, as regards the discipline and output are concerned, the workers are kept under the direct control of foreman.

5. Committee Organisation:

A committee is a group of persons formed for the purpose of giving advice on certain important problems, which cannot usually be solved by an individual. It helps by pooling the thoughts of several persons on problems involving several functions and offered for criticism. Therefore, now-a-days many large companies add a network of committees to the line and staff organisation.

These committees may be either “Permanent” sometimes referred to as standing committees or they may be organised to serve a temporary function only. Examples of committees are Research Committee, Co-ordination, and Advisory Committee, Purchase Committee, Education Committee etc.



Delegation

You must have an idea by now, that delegation somewhat relates to transfer of authority. Indeed, delegation is the downward transfer of authority from a superior to a subordinate. This is important because the superior cannot look after all the processes. Also, this helps him manage his work, as it is impractical for a specific superior to handle the volume of work all by himself.

The delegation of authority allows for concentration of time on more important activities in an organisation. Further, it provides a sense of responsibility, a chance to grow and exercise initiatives to whom the authority is delegated.

Elements of Delegation

Authority

We all are familiar with the word authority. Of course, authority is the power of a person to command his subordinates and take actions by the virtue of his position. In an organisation, authority differs according to job positions. This is because there exists interlinking between the job positions and levels of the organisation.

Responsibility

Delegation also involves some transfer of responsibility. Technically, responsibility is the obligation of a subordinate to properly perform a duty. Again, this arises from the subordinate-superior relation as the subordinate is responsible for a job given by his superior. A key point here is that responsibility has a bottom to top flow as the superior is always responsible to his superior.

Accountability

Although delegation eases out the job of superiors and has several benefits for both superior and subordinate, the superior is still accountable for the task. Accountability is the answerability for the final outcome of a job.

Meaning of Departmentation:

Departmentation is the foundation of organisation structure, that is, organisation structure depends upon departmentation. Departmentation means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features.

As the organisation grows in size, the work is divided into units and sub-units. Departments are created and activities of similar nature are grouped in one unit. Each department is headed by a person known as departmental manager.

Departmentation, thus, helps in expanding an organisation and also promotes efficiency by dividing the work on the basis of specialisation of activities and appointing people in various departments on the basis of their specialised knowledge.

Departmentation as is defined follows:

Louis A. Allen:

“Divisionalisation is a means of dividing the large and monolithic functional organisation into smaller, flexible administrative units”.

Pearce and Robinson:

“Departmentalisation is the grouping of jobs, processes and resources into logical units to perform some organisational task.”

Terry and Franklin:

“Departmentalisation is the clustering of individuals into units and of units into departments and larger units in order to facilitate achieving organisational goals.”

Basis of Departmentation:

The form of organisation structure depends upon the basis of departmentation. Creating departments and sub-dividing the work of departments into smaller units creates organisation structure. With growing size of organisations, departments are created for activities of similar nature.

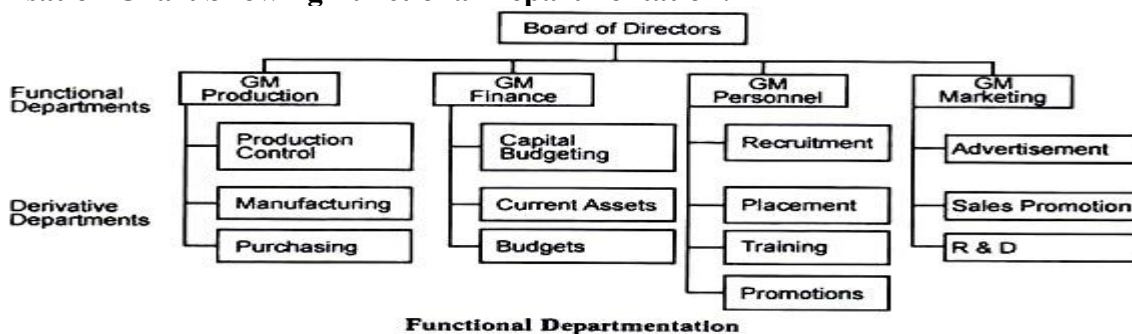
There are two broad forms of departmentation:

- a. Functional departmentation, and
- b. Divisional departmentation.

a. Functional Departmentation:

Functional organisation creates departments along activities or functions of the undertaking (functions do not refer to managerial functions of planning, organising, staffing, directing and controlling). It is grouping of activities on the basis of similarities of functions.

Organisation Chart Showing Functional Departmentation:



b. Divisional Departmentation:

Divisional structures are created on the basis of smaller divisions where each division has its own functional activities (production, finance, personnel and marketing).

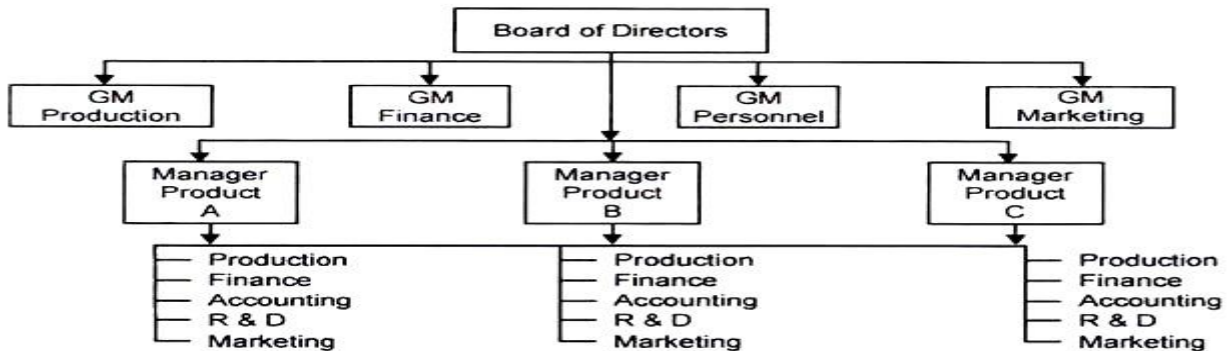
Major divisions that determine the organisation structure are as follows:

1. Product Departmentation:

This form of departmentation is suitable for companies that produce multiple products. Product departmentation is grouping of jobs and resources around the products or product lines that a company sells. With increase in operations of a company, it adds more products to its line of products which require various functional activities (production, marketing etc.).

Organisation Chart Showing Product Departmentation:

Product departmentation, along with various functional areas appear on the organisation chart as follows:

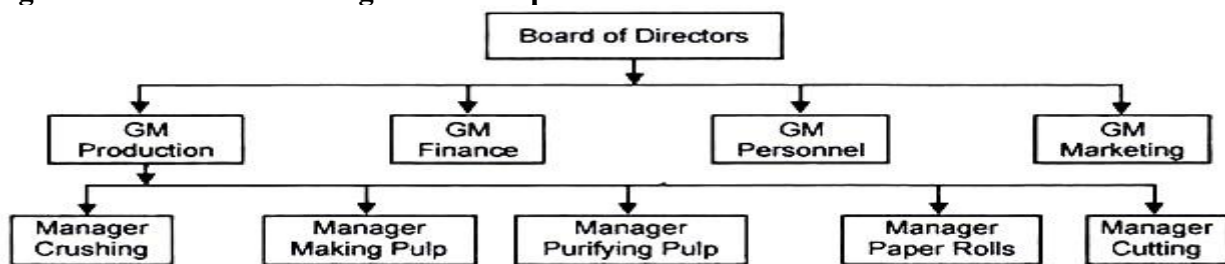


Product Departmentation

2. Process or Equipment Departmentation:

In manufacturing organisations where the product passes through different stages of production, each stage is designated as a process and department is created for each process. It is called process departmentation.

Organisation Chart Showing Process Departmentation:



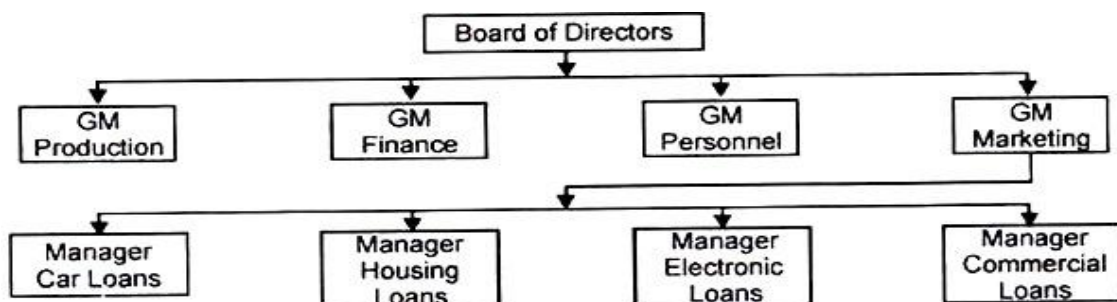
Process Departmentation

3. Customer Departmentation:

When organisations sell to customers with different needs, departments are created on the basis of customers. Customer departmentation is “the organising of jobs and resources in such a way that each department can carefully understand and respond to different needs of specific customer groups”.

Organisation Chart Showing Customer Departmentation:

The organisation chart for customer departmentation (for a lending company) appears as follows:



Customer Departmentation

4. Territory or Geographic Departmentation:

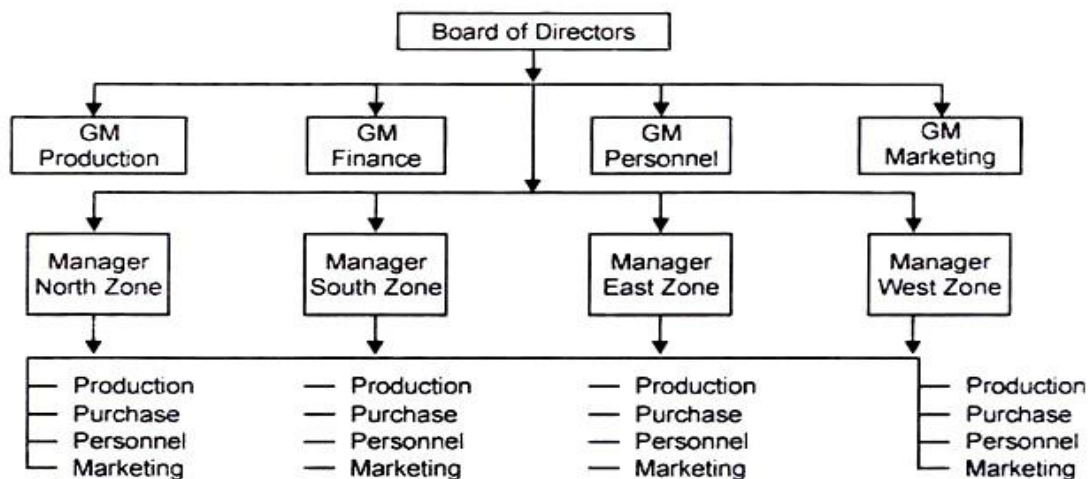
In territorial departmentation, organisation creates departments:

- (i) Close to its customers because they are geographically dispersed over different areas, or
- (ii) Near the sources of deposits.

Each geographic unit has resources to cater to the needs of consumers of that area. The production, purchase, personnel and marketing activities are looked after by departmental managers but finance is vested at the headquarters. General Manager of every department looks after functional activities of his geographical area but overall functional managers provide supporting services to the managers of different areas.

Organisation Chart Showing Geographic Departmentation:

Division of organisation on the basis of geographic dispersal of activities appears on the organisation chart as follows:



Geographic Departmentation

5. Departmentation by Time:

This method of departmentation is used in situations where work is done round the clock because:

1. The machine cannot be stopped before finishing the work.
2. The demand is high and the machine has to work overtime.
3. The nature of work entrusted to the organisations is such.
4. The services are essential in nature (health and fire services).
5. Workers work in shifts; morning, afternoon and night, so that work can progress continuously.

6. Departmentation by Size:

This method is followed in army where number of workers in the unit is important. The company's performance is judged by the number of people working with it, and therefore, it adopts departmentation by size. Departments are created on the basis of number of people who form the department. Soldiers in army are grouped in numbers to form departments.

7. Departmentation by Task Force:

When organisation has a number of projects, it forms task forces which consist of people from different units having different skills to complete those projects. These groups are formed temporarily till completion of the project.

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, –Centralization|| is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be:-

1. Reservation of decision making power at top level.

2. Reservation of operating authority with the middle level managers.
3. Reservation of operation at lower level at the directions of the top level.

Decentralization is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority is retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of **centralization and decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, –Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points. Decentralization is not the same as delegation. In fact, decentralization is all extension of delegation. Decentralization pattern is wider in scope and the authorities are diffused to the lowest most level of management. Delegation of authority is a complete process and takes place from one person to another. While decentralization is complete only when fullest possible delegation has taken place.

Implications of Decentralization

1. There is less burden on the Chief Executive as in the case of centralization.
2. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.
3. In decentralization, diversification and horizontal can be easily implanted.
4. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.
5. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.
6. In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.
7. In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent.

UNIT-IV Staffing – Concept – Functions – Process – Selection – Recruitment – Training – Direction – Concept – Elements of Directing – Principles of Direction – Process of Directing.

Meaning: Staffing is the process of hiring eligible candidates in the organization or company for specific positions. In management, the meaning of staffing is an operation of recruiting the employees by evaluating their skills, knowledge and then offering them specific job roles accordingly.

Definition: Staffing can be defined as one of the most important functions of management. It involves the process of filling the vacant position of the right personnel at the right job, at right time. Hence, everything will occur in the right manner.

According to Theo Haimann, “Staffing pertains to recruitment, selection, development and compensation of subordinates.”

Concepts: -

1. **Staffing is an important managerial function-** Staffing function is the most important managerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.
2. **Staffing is a pervasive activity-** As staffing function is carried out by all managers and in all types of concerns where business activities are carried out.
3. **Staffing is a continuous activity-** This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.
4. **The basis of staffing function is efficient management of personnel's-** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.
5. **Staffing helps in placing right men at the right job.** It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.
6. **Staffing is performed by all managers** depending upon the nature of business, size of the company, qualifications and skills of managers, etc. In small companies, the top management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.

Functions of Staffing

1. The first and foremost function of staffing is to obtain qualified personnel for different jobs position in the organization.
2. In staffing, the right person is recruited for the right jobs, therefore it leads to maximum productivity and higher performance.
3. It helps in promoting the optimum utilization of human resource through various aspects.
4. Job satisfaction and morale of the workers increases through the recruitment of the right person.
5. Staffing helps to ensure better utilization of human resources.
6. It ensures the continuity and growth of the organization, through development managers.

Process of Staffing

1. Manpower Planning

Manpower planning can be regarded as the quantitative and qualitative measurement of labour force required in an enterprise. Therefore, in an overall sense, the planning process involves the

synergy in creating and evaluating the manpower inventory and as well as in developing the required talents among the employees selected for promotion advancement

2. Recruitment

Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs in the organization. It stands for finding the source from where potential employees will be selected.

3. Selection

Selection is a process of eliminating those who appear unpromising. The purpose of this selection process is to determine whether a candidate is suitable for employment in the organization or not. Therefore, the main aim of the process of selection is selecting the right candidates to fill various positions in the organization. A well-planned selection procedure is of utmost importance.

4. Placement

Placement means putting the person on the job for which he is selected. It includes introducing the employee to his job.

5. Training

After selection of an employee, the important part of the programmed is to provide training to the new employee. With the various technological changes, the need for training employees is being increased to keep the employees in touch with the various new developments.

6. Development

A sound staffing policy provides for the introduction of a system of planned promotion in every organization. If employees are not at all having suitable opportunities for their development and promotion, they get frustrated which affect their work.

7. Promotions

The process of promotion implies the up-gradation of an employee to a higher post involving increasing rank, prestige and responsibilities. Generally, the promotion is linked to increment in wages and incentives but it is not essential that it always relates to that part of an organization.

8. Transfer

Transfer means the movement of an employee from one job to another without increment in pay, status or responsibilities. Therefore this process of staffing needs to be evaluated on a timely basis.

9. Appraisal

Appraisal of employees as to how efficiently the subordinate is performing a job and also to know his aptitudes and other qualities necessary for performing the job assigned to him.

10. Determination of Remuneration

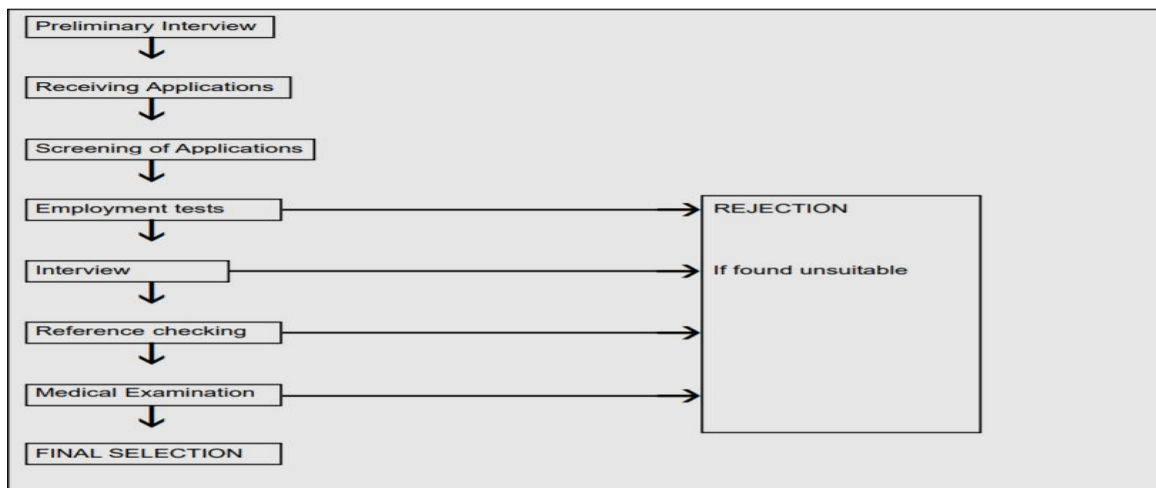
This is the last process which is very crucial as it involves in determining remuneration which is one of the most difficult functions of the personnel department because there are no definite or exact means to determine correct wages.

Selection

Definition: The **Selection** is the process of choosing the most suitable candidate for the vacant position in the organization. In other words, selection means weeding out unsuitable applicants and selecting those individuals with prerequisite qualifications and capabilities to fill the jobs in the organization.

Selection Process

Every organisation creates a selection process because they have their own requirements. Although, the main steps remain the same. So, let's understand in brief how the selection process works.



- **Preliminary Interview**

This is a very general and basic interview conducted so as to eliminate the candidates who are completely unfit to work in the organisation. This leaves the organisation with a pool of potentially fit employees to fill their vacancies.

- **Receiving Applications**

Potential employees apply for a job by sending applications to the organisation. The application gives the interviewers information about the candidates like their bio-data, work experience, hobbies and interests.

- **Screening Applications**

Once the applications are received, they are screened by a special screening committee who choose candidates from the applications to call for an interview. Applicants may be selected on special criteria like qualifications, work experience etc.

- **Employment Tests**

Before an organisation decides a suitable job for any individual, they have to gauge their talents and skills. This is done through various employment tests like intelligence tests, aptitude tests, proficiency tests, personality tests etc.

- **Employment Interview**

The next step in the selection process is the employee interview. Employment interviews are done to identify a candidate's skill set and ability to work in an organisation in detail. Purpose of an employment interview is to find out the suitability of the candidate and to give him an idea about the work profile and what is expected of the potential employee. An employment interview is critical for the selection of the right people for the right jobs.

What are the Traditional methods of Appraisal?

- **Checking References**

The person who gives the reference of a potential employee is also a very important source of information. The referee can provide info about the person's capabilities, experience in the previous companies and leadership and managerial skills. The information provided by the referee is meant to be kept confidential with the HR department.

- **Medical Examination**

The medical exam is also a very important step in the selection process. Medical exams help the employers know if any of the potential candidates are physically and mentally fit to perform their duties in their jobs. A good system of medical checkups ensures that the employee standards of health are higher and there are fewer cases of absenteeism, accidents and employee turnover.

- **Final Selection and Appointment Letter**

This is the final step in the selection process. After the candidate has successfully passed all written tests, interviews and medical examination, the employee is sent or emailed an appointment letter, confirming his selection to the job. The appointment letter contains all the details of the job like

working hours, salary, leave allowance etc. Often, employees are hired on a conditional basis where they are hired permanently after the employees are satisfied with their performance.

Recruitment Process

Definition: The **Recruitment** is the process of analyzing the job requirements and then finding the prospective candidates who are then encouraged and stimulated to apply for the job in the organization.

Internal sources of recruitment:



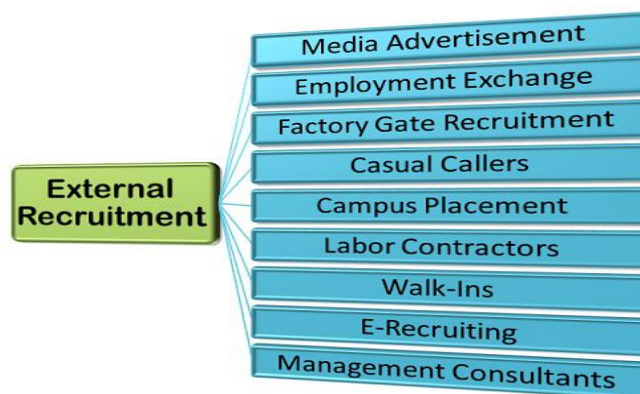
1) Transfer: Transfer means shifting an employee from one job to another, typically of similar nature, without any change in his rank and responsibility. The purpose of an employee transfer is to enable him to get well-versed with the broad-based view of the organization which is essential for the promotions in future.

2) Promotion: Promotions are the most common form of internal recruitment wherein the employees are moved to the upper levels of the organization with more responsibility and prestige. When the higher level positions fall vacant companies recruit from within the organization so as to capitalize one of the following benefits:

- The employee is familiar with the working of the organization.
- Less cost is incurred as compared to hiring the person from the external sources.
- The chances of selection are bright since the performance card of the individual is readily available with the firm.
- It boosts the morale of the employee.
- The others in the organization also get motivated to work harder to get promoted to the higher levels of the organization.

3) Employee Referrals: The present employees can refer their friends and family to the job. They are well aware of the organizational culture, working conditions and job requirements. If they find their friends or family suitable for such position can recommend their names to the management for recruitment.

External sources of recruitment:



1) Media Advertisement: The advertisement is the most common and preferred source of external recruiting. The ads in newspapers, professional journals, give a comprehensive detail about the organization, type, and nature of job position, skills required, qualification and experience expected,

etc. This helps an individual to self-evaluate himself against the job requirements and apply for the jobs which best suits him.

2) Employment Exchange: The employment exchange is the office run by the government wherein the details about the job seekers such as name, qualification, experience, etc. is stored and is given to the employers who are searching for men for their organizations.

3) Direct Recruitment: The direct recruitment also called as factory gate recruitment is an important source of hiring, especially the unskilled workers or badli workers who are paid on a daily-wage basis. Here, the company puts up a notice on a notice board or on the factory gate regarding the jobs available, such that the applicant sees it and apply for the job directly.

4) Casual Callers: The casual callers, also called as unsolicited applications are the job seekers who come to the well-renowned organizations casually and either mail or drop in their job applications seeking the job opportunity.

5) Educational Institutions or Campus Placement: Creating a close liaison with the educational institutes for the recruitment of students with technical and professional qualifications has become a common practice of external recruitment. Here, the companies, visit the technical, management and professional colleges to recruit the students directly for the job positions. The recruitment from educational institutions is also termed as campus recruitment.

6) Labor Contractors: This is the most common form of external recruitment wherein the labor contractors who are either employed with the firm or have an agreement to supply workers to the firm for the completion of a specific type of a task. This method is again used for hiring the unskilled and semi-skilled workers. The contractor keeps in touch with the workers and sends them to the places where their need arises. In doing so, the contractors get the commission for each worker supplied.

7) Walk-Ins: This is again a direct form of recruitment wherein the prospective candidates are invited through an advertisement to come and apply for the job vacancy. Here, the specified date, venue, and time are mentioned, and the candidates are requested to come and give interviews directly without submitting their applications in advance.

8) E-recruiting: The e-recruiting means searching and screening the prospective candidates electronically. There are several online job portals that enable the job seekers to upload their resume online which are then forwarded to the potential hirers. Such as naukri.com, monster.com, shine.com, etc. are some of the well renowned online job portals.

9) Management Consultants: There are several private management firms that act as a middleman between the recruiter and the recruit. These firms help the organization to hire professional, technical and managerial personnel, and they specialize in recruiting middle level and top level executives.

Training is an organized activity conducted to improve the performance of an employee and to bring about a considerable change in the skills, knowledge, attitude, behavior for performing a particular kind of a job.

Methods of Training: On-the-job Training Method and Off-the-Job Methods!

Management development is a systematic process of growth and development by which the managers develop their abilities to manage. It is concerned with not only improving the performance of managers but also giving them opportunities for growth and development.

There are two methods through which managers can improve their knowledge and skills. One is through formal training and other is through on the job experiences. On the job training is very important since real learning takes place only when one practices what they have studied.

1. On-the-job Training (OJT) Methods:

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

The advantages of OJT are as follows:

1. On the job method is a flexible method.
2. It is a less expensive method.
3. The trainee is highly motivated and encouraged to learn.
4. Much arrangement for the training is not required.

On-the-job training methods are as follows:

1. Job rotation:

This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees.

2. Coaching:

Under this method, the trainee is placed under a particular supervisor who functions as a coach in training and provides feedback to the trainee. Sometimes the trainee may not get an opportunity to express his ideas.

3. Job instructions:

Also known as step-by-step training in which the trainer explains the way of doing the jobs to the trainee and in case of mistakes, corrects the trainee.

4. Committee assignments:

A group of trainees are asked to solve a given organizational problem by discussing the problem. This helps to improve team work.

5. Internship training:

Under this method, instructions through theoretical and practical aspects are provided to the trainees. Usually, students from the engineering and commerce colleges receive this type of training for a small stipend.

2. Off-the-job Methods:

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

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

1. Case study method:

Usually case study deals with any problem confronted by a business which can be solved by an employee. The trainee is given an opportunity to analyse the case and come out with all possible solutions. This method can enhance analytic and critical thinking of an employee.

2. Incident method:

Incidents are prepared on the basis of actual situations which happened in different organizations and each employee in the training group is asked to make decisions as if it is a real-life situation. Later on, the entire group discusses the incident and takes decisions related to the incident on the basis of individual and group decisions.

3. Role play:

In this case also a problem situation is simulated asking the employee to assume the role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.

4. In-basket method:

The employees are given information about an imaginary company, its activities and products, HR employed and all data related to the firm. The trainee (employee under training) has to make notes, delegate tasks and prepare schedules within a specified time. This can develop situational judgments and quick decision making skills of employees.

5. Business games:

According to this method the trainees are divided into groups and each group has to discuss about various activities and functions of an imaginary organization. They will discuss and decide about various subjects like production, promotion, pricing etc. This gives result in co-operative decision making process.

6. Grid training:

It is a continuous and phased programme lasting for six years. It includes phases of planning development, implementation and evaluation. The grid takes into consideration parameters like concern for people and concern for people.

7. Lectures:

This will be a suitable method when the numbers of trainees are quite large. Lectures can be very much helpful in explaining the concepts and principles very clearly, and face to face interaction is very much possible.

8. Simulation:

Under this method an imaginary situation is created and trainees are asked to act on it. For e.g., assuming the role of a marketing manager solving the marketing problems or creating a new strategy.

9. Management education:

At present universities and management institutes gives great emphasis on management education.

10. Conferences:

A meeting of several people to discuss any subject is called conference. Each participant contributes by analyzing and discussing various issues related to the topic. Everyone can express their own view point.

Directing

Meaning

Directing is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals.

Directing is said to be the heart of management process. Planning, organizing, staffing have got no importance if direction function does not take place

Concept of direction

- 1) Direction is an important function of management which is related to inspiring, instructing and guiding human factors in the organization to achieve organizational activities and objectives.
- 2) A superior direct and control the subordinates and instruct the manpower which yields better performance.
- 3) Direction is the guideline inspiration which is provided from higher position to lower position.
- 4) It is also an important function of management.
- 5) It is useful to coordinate the activities.
- 6) It is defined as the skill of influencing employees.

Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

(i) **Supervision**- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

(ii) **Motivation**- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

(iii) **Leadership**- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

(iv) **Communications**- is the process of passing information, experience, opinion etc from one

person to another. It is a bridge of understanding.

Principles of Directing

Directing is a complex function as it deals with people whose behaviour is unpredictable. Effective direction is an art which a manager can learn and perfect through practice. However, managers can follow the following principles while directing their subordinates.

1. **Harmony of objectives.** Individuals join the organization to satisfy their physiological and psychological needs. They are expected to work for the achievement of organizational objectives. They will perform their tasks better if they feel that it will satisfy their personal goals. Therefore, management agreement should reconcile the personal goals of employees with the organizational goals.
2. **Maximum individual contribution.** Organizational objectives are achieved at the optimum level when every individual in the organization makes maximum contribution towards them. Managers should, therefore, try to elicit maximum possible contribution from each subordinate.
3. **Unity of command.** A subordinate should get orders and instruction from one superior only. If he is made accountable to two bosses simultaneously, there will be confusion, conflict, disorder and indiscipline in the organization. Therefore, every subordinate should be asked to report to only one manager.
4. **Appropriate techniques.** The manager should use correct direction techniques to ensure efficiency of direction. The technique used should be suitable to the superior, the subordinates and the situation.
5. **Direct supervision.** Direction becomes more effective when there is a direct personal contact between the superior and his subordinates. Such contact improves the morale and commitment of the employees. Therefore, whenever possible direct supervision should be used.
6. **Managerial communication.** A good system of communication between the superior and his subordinates helps to improve mutual understanding. Upwards communication helps a manager to understand the subordinates to express their feeling.

Process of Direction

1. **Pervasive Function** - Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.
2. **Continuous Activity** - Direction is a continuous activity as it continues throughout the life of organization.
3. **Human Factor** - Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.
4. **Creative Activity** - Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
5. **Executive Function** - Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise, a subordinate receives instructions from his superior only.
6. **Delegate Function** - Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people's behaviour towards the goals of the enterprise is what the executive does in this function.

UNIT-V Co-ordination – Controlling – Concept – Need and Importance – Process – Characteristics of ideal control system-Traditional and Modern methods of control.

Coordination Meaning

Coordination is the function of management which ensures that different departments and groups work in sync. Therefore, there is unity of action among the employees, groups, and departments. It also brings harmony in carrying out the different tasks and activities to achieve the organization's objectives efficiently. Coordination is an important aspect of any group effort. When an individual is working, there is no need for coordination.

Mooney and Reiley – ‘Coordination is an orderly arrangement of group efforts to provide unity of action in the pursuit of common goals.’

Charles Worth – ‘Coordination is the integration of several parts into an orderly whole to achieve the purpose of understanding.’

Important features of coordination:

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

Controlling

Meaning of Controlling

Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, the meaning of controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively & efficiently for the achievement of predetermined goals.

- Controlling is a goal-oriented function.
- It is a primary function of every manager.
- Controlling the function of a manager is a pervasive function.

Concepts of Control

Controlling is an important function of management. It is the process that measures current performance and guides it towards some predetermined objectives. Under primitive management, control was undertaken only when something went wrong and the objectives of control was to reprimand the person responsible for these events and take action against him. The modern concept of control envisages a system that not only provides a historical record of what has happened to the business as a whole but also pin points the reasons why it has happened and provides data that enable the manager to take corrective steps, if he finds he is on the wrong track. Therefore, there is

no intention to punish the person for wrong doing, but to find out the deviations between the actual performance and the standard performance and to take steps to prevent such variances in future.

The concept of control is often confused with lack of freedom. The opposite of control is not freedom but chaos or anarchy. Control is fully consistent with freedom. In fact, they are inter-dependent. Without control, freedom cannot be sustained for long. Without freedom, control becomes ineffective. Both freedom and accountability are embedded in the concept of control.

Important needs of an effective control

(1) Objectives:

A system of control can work more effectively when it is based on the main objectives or goals of the organisation. It should be related to the persons. It becomes essential that the standards, which are set by the management, should not be too high or too low. These should be told to the workers in time so that the standards can be judged with the actual performance.

(2) Suitability:

A business organisation should adopt such a system of control which suits its requirement. -There is no hard and fast rule and readymade system of control which give the correct and most favourable results in all type of organisations and in all circumstances.

Suitability of a system of control differs from organisation to organisation and to make it favourable, it is necessary to know the nature of the business, needs of the workers a circumstances prevailing inside the organisation.

(3) Forward looking:

The system of control should be forward looking which enables the managers to keep a control on operations in advance. Each and every deviation from the standards should be noted in time to take corrective action before the task is completed. This will avoid or minimise the deviation in future.

(4) Feedback:

The success of a business depends on a system of control and for a systematic control advance planning is needed. This advance planning should be based on actual accurate past information collected through investigation.

The control system should be such that it is based on past information and. which would also adjust if necessary to future actions.

(5) Quick action:

Management gets the information from various line managers or supervisors about the deviation in standards and these should be suggested to the planner to take a correct and quick action to avoid future wastage. Actually speaking, the success of control depends entirely on quick action and its implementation.

(6) Directness:

In order to make the system of control more effective, it is necessary that the relation between the workers and management should be direct. It is quite obvious that if the number of line supervisors is less in the organisation then workers would work effectively and objectives may be achieved in time because they will not take much time in getting the correct information.

(7) Flexibility:

The system of control should be such that it accommodates all changes or failures in plans. If plans are to be revised due to change in its objectives, the system of control should also be adjusted to suit the changed circumstances.

(8) Economy:

The system of control must be economical. In simple words, cost of the control system should not exceed its benefits. A system of control to be adopted by the organisation should be cheaper in terms of expenses.

(9) Regular revision:

The system of control should be based on objective results, after proper technical and analytical studies. They must be revised regularly and kept to meet the objectives of the organisation.

(10) Active Participation:

All members in the organisation should participate in the effective implementation of the control system. This is only possible when each and every worker in the organisation is asked to take active part in the discussions and exchange views while selecting the system of control.

(11) Suggestive:

The control system should also be suggestive. A system which detects deviations only should not be held good, but should also tell the accurate and correct alternative.

(12) Competent and talented staff:

Controlling A system of control can work more effectively if it has talented and competent people to work in the organisation.

Importance of Controlling

After the meaning of control, let us see its importance. Control is an indispensable function of management without which the controlling function in an organization cannot be accomplished and the best of plans which can be executed can go away. A good control system helps an organization in the following ways:

1. Accomplishing Organizational Goals

The controlling function is an accomplishment of measures that further makes progress towards the organizational goals & brings to light the deviations, & indicates corrective action. Therefore it helps in guiding the organizational goals which can be achieved by performing a controlling function.

2. Judging Accuracy of Standards

A good control system enables management to verify whether the standards set are accurate & objective. The efficient control system also helps in keeping careful and progress check on the changes which help in taking the major place in the organization & in the environment and also helps to review & revise the standards in light of such changes.

3. Making Efficient use of Resources

Another important function of controlling is that in this, each activity is performed in such manner so as in accordance with predetermined standards & norms so as to ensure that the resources are used in the most effective & efficient manner for the further availability of resources.

4. Improving Employee Motivation

Another important function is that controlling help in accommodating a good control system which ensures that each employee knows well in advance what they expect & what are the standards of performance on the basis of which they will be appraised. Therefore it helps in motivating and increasing their potential so to make them & helps them to give better performance.

5. Ensuring Order & Discipline

Controlling creates an atmosphere of order & discipline in the organization which helps to minimize dishonest behavior on the part of the employees. It keeps a close check on the activities of employees and the company can be able to track and find out the dishonest employees by using computer monitoring as a part of their control system.

6. Facilitating Coordination in Action

The last important function of controlling is that each department & employee is governed by such pre-determined standards and goals which are well versed and coordinated with one another. This ensures that overall organizational objectives are accomplished in an overall manner.

Control process

1. Establishing goals and standards

The task of fixing goals and standards takes place while planning but it plays a big role in controlling also. This is because the main aim of controlling is to direct a business's actions towards its goals. If the members of an organization know their goals clearly, they will invest their entire focus in achieving them.

2. Measuring actual performance against goals and standards

Once managers know what their goals are, they should next measure their actual performance and compare. This step basically helps them in knowing whether their plans are working as intended.

After implementing a plan, managers have to constantly monitor and evaluate them. They must always be ready to take corrective measures if things are not working properly. In order to do this, they should keep comparing their actual performance with their ultimate goals.

3. Taking corrective action

In case there are discrepancies between actual performances and goals, managers need to take corrective actions immediately. Timely corrective actions can reduce losses as well as prevent them from arising in the future again.

Sometimes, business organizations formulate default corrective actions in the form of policies. This, however, can be difficult to do when it comes to complicated problems. In such cases, managers need to first quantify the defect and prepare a course of action to remedy it. Sometimes, they may have to take extraordinary measures for unpredictable problems.

4. Following up on corrective action

Just taking corrective measures is not enough; managers must also take them to their logical conclusion. Even this step requires thorough evaluations and comparisons.

Managers should stick to the problem until they solve it. If they refer it to a subordinate, they must stay around and see to it that he completes the task. They may even mentor him personally so that he may be able to solve such problems by himself later.

Characteristics of an Effective Control Systems

1. Accuracy:

Effective controls generate accurate data and information. Accurate information is essential for effective managerial decisions. Inaccurate controls would divert management efforts and energies on problems that do not exist or have a low priority and would fail to alert managers to serious problems that do require attention.

2. Timeliness:

There are many problems that require immediate attention. If information about such problems does not reach management in a timely manner, then such information may become useless and damage may occur. Accordingly controls must ensure that information reaches the decision makers when they need it so that a meaningful response can follow.

3. Flexibility:

The business and economic environment is highly dynamic in nature. Technological changes occur very fast. A rigid control system would not be suitable for a changing environment. These changes highlight the need for flexibility in planning as well as in control.

4. Acceptability:

Controls should be such that all people who are affected by it are able to understand them fully and accept them. A control system that is difficult to understand can cause unnecessary mistakes and frustration and may be resented by workers.

5. Integration:

When the controls are consistent with corporate values and culture, they work in harmony with organizational policies and hence are easier to enforce. These controls become an integrated part of the organizational environment and thus become effective.

6. Economic feasibility:

The cost of a control system must be balanced against its benefits. The system must be economically feasible and reasonable to operate.

7. Strategic placement:

Effective controls should be placed and emphasized at such critical and strategic control points where failures cannot be tolerated and where time and money costs of failures are greatest.

The objective is to apply controls to the essential aspect of a business where a deviation from the expected standards will do the greatest harm. These control areas include production, sales, finance and customer service.

8. Corrective action:

An effective control system not only checks for and identifies deviation but also is programmed to suggest solutions to correct such a deviation.

9. Emphasis on exception:

A good system of control should work on the exception principle, so that only important deviations are brought to the attention of management, In other words, management does not have to bother with activities that are running smoothly.

Techniques of managerial control

- Traditional techniques
- Modern techniques



Traditional Techniques of Managerial Control

Traditional techniques are those which have been used by the companies for a long time now. These include:

- Personal observation
- Statistical reports
- Break-even analysis
- Budgetary control

1. Personal Observation

This is the most traditional method of control. Personal observation is one of those techniques which enables the manager to collect the information as first-hand information.

It also creates a phenomenon of psychological pressure on the employees to perform in such a manner so as to achieve well their objectives as they are aware that they are being observed personally on their job. However, it is a very time-consuming exercise & cannot effectively be used for all kinds of jobs.

2. Statistical Reports

Statistical reports can be defined as an overall analysis of reports and data which is used in the form of averages, percentage, ratios, correlation, etc., present useful information to the managers regarding the performance of the organization in various areas.

This type of useful information when presented in the various forms like charts, graphs, tables, etc., enables the managers to read them more easily & allow a comparison to be made with performance in previous periods & also with the benchmarks.

3. Break-even Analysis

Breakeven analysis is a technique used by managers to study the relationship between costs, volume & profits. It determines the overall picture of probable profit & losses at different levels of activity while analyzing the overall position.

The sales volume at which there is no profit, no loss is known as the breakeven point. There is no profit or no loss. Breakeven point can be calculated with the help of the following formula:

Breakeven point = Fixed Costs/Selling price per unit – variable costs per unit

4. Budgetary Control

Budgetary control can be defined as such technique of managerial control in which all operations which are necessary to be performed are executed in such a manner so as to perform and plan in advance in the form of budgets & actual results are compared with budgetary standards.

Some of the types of budgets prepared by an organisation are as follows,

- Sales budget: A statement of what an organization expects to sell in terms of quantity as well as value
- Production budget: A statement of what an organization plans to produce in the budgeted period
- Material budget: A statement of estimated quantity & cost of materials required for production
- Cash budget: Anticipated cash inflows & outflows for the budgeted period
- Capital budget: Estimated spending on major long-term assets like a new factory or major equipment
- Research & development budget: Estimated spending for the development or refinement of products & processes

Modern Techniques of Managerial Control

Modern techniques of controlling are those which are of recent origin & are comparatively new in management literature. These techniques provide a refreshingly new thinking on the ways in which various aspects of an organization can be controlled. These include:

1. Return on Investment

Return on investment (ROI) can be defined as one of the important and useful techniques. It provides the basics and guides for measuring whether or not invested capital has been used effectively for generating a reasonable amount of return. ROI can be used to measure the overall performance of an organization or of its individual departments or divisions. It can be calculated as under-

Net income before or after tax may be used for making comparisons. Total investment includes both working as well as fixed capital invested in the business.

2. Ratio Analysis

The most commonly used ratios used by organizations can be classified into the following categories:

- Liquidity ratios
- Solvency ratios
- Profitability ratios
- Turnover ratios

3. Responsibility Accounting

Responsibility accounting can be defined as a system of accounting in which overall involvement of different sections, divisions & departments of an organization are set up as 'Responsibility centers'. The head of the center is responsible for achieving the target set for his center. Responsibility centers may be of the following types:

- Cost center
- Revenue center
- Profit center
- Investment center

4. Management Audit

Management audit refers to a systematic appraisal of the overall performance of the management of an organization. The purpose is to review the efficiency & effectiveness of management & to improve its performance in future periods.

5. PERT & CPM

PERT (programmed evaluation & review technique) & CPM (critical path method) are important network techniques useful in planning & controlling. These techniques, therefore, help in performing various functions of management like planning; scheduling & implementing time-bound projects involving the performance of a variety of complex, diverse & interrelated activities.