

Introduction

The term 'business' signifies individual and group activities directed toward wealth generation through exchange of goods and services. Business, as a system, uses various inputs like men, material, machinery, information and energy to create goods and services as output to meet the needs of the consumers. Business involves risks and the profit gained is the reward for risk-taking. The common risks are changing technology, changes in consumer preferences, competitive threats, and government policies. Business influences the living standard of people and is the leading indicator of the development of any nation.

1.1 OBJECTIVES OF BUSINESS

The objectives of business are two-fold: economic and social.

- (i) Economic objectives include:
 - (a) Ensuring a satisfactory return on investment (ROI).
 - (b) Growth of business through diversification, merger, or acquisition.
 - (c) Product innovation on a continuous basis.
 - (d) Ensuring profitability by gaining strong market position.
- (ii) Social objectives include:
 - (a) Prevention of environmental pollution and ecological imbalance.
 - (b) Overall development of the locality where the business is situated.
 - (c) Development of backward areas.
 - (d) Promotion of ancillary and small scale industries.

1.2 ESSENTIALS OF GOOD BUSINESS

The essentials of good business are:

1. A business must have well defined and attainable objectives.

2. It should follow a proper planning procedure based on up-to-date, reliable, and adequate information.
3. It should have a proper layout and location so as to ensure minimization of costs and maximization of profits.
4. A business should have a responsive and adaptive management.
5. It should have a sound organization structure ensuring effectiveness.
6. A business should have a customer-focused marketing system.
7. A business should also have sound personnel policies.

1.3 CONCEPT OF MANAGEMENT

Managing is the art of getting things done through people in formally organized groups. Management can thus be defined as the art or skill of directing human activities and physical resources in the attainment of predetermined goals. The ability to manage is an attribute quite apart from any technical skill. A manager can take advice from technical or functional experts, consider the information given by them, and come to a conclusion that results in a management decision. Management is practised with the help of five basic functions: planning, organizing, staffing, directing and controlling.

1.4 MANAGEMENT AND ADMINISTRATION

The features of management and administration are briefly discussed below.

1.4.1 MANAGEMENT PROCESS

1. Management is the process of planning, organizing, coordinating, leading, motivating and controlling the resources (including human resources) of an organization in the efficient and effective pursuit of specified organizational goals.
2. A manager is a person who plans, organizes, leads, and controls human, financial, physical, and information resources in the efficient and effective pursuit of specified organizational goals.
3. Planning is the management function of developing a futuristic frame of reference from which to identify opportunities and threats that lie in the future and to take immediate action to exploit the opportunities and counter the threats.
4. Organizing is the management function of assigning duties, grouping tasks, establishing authority, and allocating resources required to carry out a specific plan.
5. Staffing is the management function of recruitment, selection, placement, approval, and development of people to occupy the roles in the organization structure.
6. Leading is the management function of influencing, motivating, and directing human resources towards the achievement of organizational goals.
7. Controlling is the management function of monitoring organizational performance towards the attainment of organizational goals.

1.4.2 ADMINISTRATION

Administration describes not only the activity of implementing policy decisions, but also the activity of regulating the day-to-day operations of a section of an organization, such as the office. During the evolutionary stage of management there were three views regarding the difference between administration and management as discussed below.

1. *Management and administration are the same:* The term administration is used for the higher executive functions in government circles while the term management is used for the same functions in the business world.
2. *Administration is above management:* Administration is the function concerned with the determination of corporate policy; the coordination of finance, production and distribution; and the settlement of the complex structure of the organization under the ultimate control of the executive, while management is concerned with the execution of policy setup by administration for the particular objects before it.
3. *Administration is part of management:* Management is the general term used for the total process of executive control while administration is that part of management which is concerned with the installation and following of the procedure by which the progress of activities is regulated and checked against plans.

1.4.3 MANAGEMENT SKILLS

Three basic kinds of skills—technical, human and conceptual are needed for a manager. *Technical skill* is the ability to use the procedures, techniques, and knowledge of a specialized field. For examples, surgeons, engineers, and accountants all have technical skills in their respective fields. *Human skill* is the ability to work with, understand, and motivate other people as individuals or in groups. *Conceptual skill* is the ability to coordinate and integrate the organization's goals and activities.

1.4.4 MANAGEMENT LEVELS

The term levels of management refers to a line of demarcation between various managerial positions in an organization. There are generally four levels of management (Figure 1.1) namely: (1) top-level management, (2) upper middle management, (3) middle management, and (4) lower-level or first line management.

1.4.4.1 Top-Level Management

Top-level management consists of a small group of people and is responsible for the overall management of an organization. These people are called executives. The various functions performed by the top management are as follows:

1. Laying down the objectives of the enterprise.
2. Preparing strategic plans and policies for the enterprise.

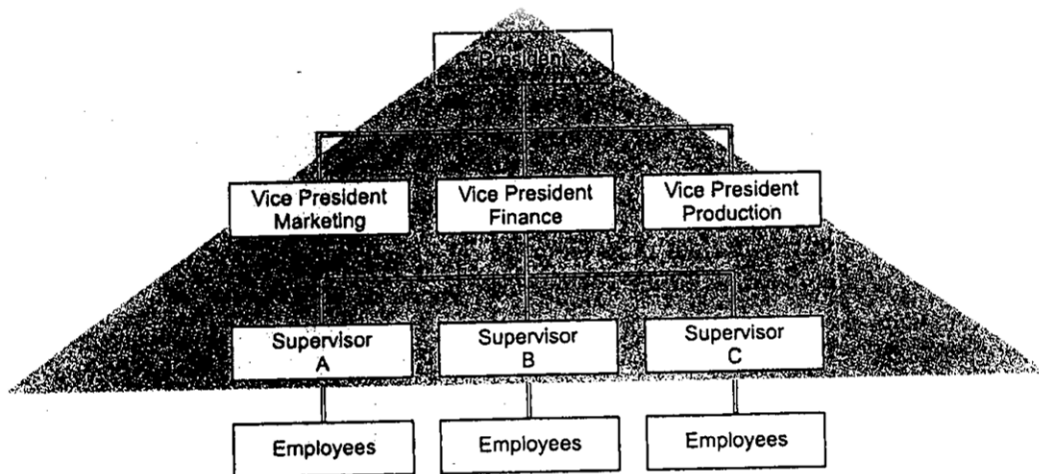


FIGURE 1.1 Levels of Managements

3. Issuing necessary instructions for the preparation of departmental budgets, schedules, procedures and so on.
4. Appointing executives for the middle level.
5. Coordinating the activities of all departments with the help of reports, memoranda, and so on.
6. Maintaining public relations.

1.4.4.2 Upper-Middle Management

The upper-middle management consists of heads of various functional divisions. The heads of functional divisions are in constant touch with the top management. They are responsible for the effective performance of their functional divisions.

1.4.4.3 Middle Management

The middle management can consist of more than one level in an organization. The principal responsibility is to direct the activities in such a way that the organization's policies are implemented and its goals are achieved.

1.4.4.4 Lower-Level Management or First Line Management

The first-line (first level or front-line) managers direct employees at non-managerial levels i.e. they do not supervise other managers. For example, foremen or production supervisors in a manufacturing plant. The important functions of a supervisor include the following:

1. To plan and organize the activities of the group.
2. To arrange for necessary materials, machines, tools, etc. for workers and to provide them with the necessary working environment.
3. To provide training to the workers.
4. To supervise and guide the subordinates
5. To solve the problems of workers.
6. To communicate employees problems to the higher management.

1.13 BUSINESS ENVIRONMENT

Just as human beings live in, influence and get influenced by an environment, similarly, businesses also affect and get affected by the environment in which they operate. These environments may be classified in four groups:

- (i) Economic
- (ii) Social
- (iii) Political
- (iv) Legal

1.13.1 ECONOMIC ENVIRONMENT

It is sometimes thought that the economic environment is of concern only to businesses whose socially approved mission is the production and distribution of goods and services that people want and can pay for. But it is also of the greatest importance to other types of organized enterprises. A government agency takes resources usually from tax payers and provides services desired by the public. A university takes resource input from students and other contributors and transforms these into educational and research services.

The factors affecting an economic environment are discussed below.

1.13.1.1 Capital

Almost every kind of organization needs capital—for machinery, buildings, inventories of goods, office equipments, tools of all kinds and cash. Some of these may be produced by the organization itself. Cash resources may also be generated within an organization to buy capital items outside, as when business profits are used to purchase equipment. Organized enterprises are usually dependent for capital requirements on various suppliers whose job is to provide materials and other items of capital that an organization requires for its operation. Thus, capital is an important economic factor that influences the business.

1.13.1.2 Labour

Another important factor affecting the economic environment is the availability, quality and price of labour. In some societies untrained common labour may be plentiful, while highly trained labour may be in short supply. Engineers may be scarce at one time and plentiful at another, as has occurred in the ups and downs of the defense and space operations. However, supply of labour is itself influenced by the status of economy.

1.13.1.3 Price Levels

The input side of an enterprise is clearly affected by the price level changes. If prices go up fairly rapidly, the turbulence created in the environment on both the input and output sides can

be severe. Inflation not only upsets businesses but also has highly disturbing influences on every kind of organization through its effect on the costs of labour, materials, and other items.

1.13.1.4 Government Fiscal and Tax Policies

Another important input to enterprise is the nature of government fiscal and tax policies. Although, these are, strictly speaking, aspects of the political environment, their economic impact on all enterprises is tremendous. Government control on the availability of credit through fiscal policy has considerable impact not only on business but also on most non-business operations. Similarly, Government tax policy affects every segment of society. The way taxes are levied is also important not only to business but also to the people generally. For example, if taxes on business or profits are too high, the incentive to go into business or stay in it tends to drop, and investors will look elsewhere to invest their capital. If heavy taxes are placed in real estates, people may find it too expensive to own a house and may go to cheaper less comfortable living quarters.

1.13.1.5 Customers

Without the customers, the business cannot exist. But to capture customers, a business must try to find out what people want and are willing to buy. To be sure, the expectations and demands of the various public served by organized enterprise are influenced by non-economic as well as economic factors in the environment. The principle ones are people's attitudes, desires and expectations, many of which arise from cultural pattern in the social environment. Another factor in the market is the appearance of substitute products. For example, publishers of magazines saw their market eroded when advertisers shifted to television. Also, people desire for different products with passage of time. The needs of industrial buyers change as their products change, as new processes are developed, and as different equipments and materials come in the market. In the long run, any enterprise has to serve the different and changing needs of customers. To do otherwise is a sure road to enterprise failure.

1.13.1.6 Technology

One of the most pervasive factors in the environment is technology. It is science that provides knowledge, and it is technology that uses it. The term technology refers to the sum total of the knowledge we have, of ways, to do things. It includes inventions, techniques, and vast stores of organized knowledge about everything. But its main influence is on ways of doing things—on how we design, produce, distribute, and sell goods as well as services. The impact of technology is seen in new products, new machines, new tools, new materials, and new services. A few of the benefits of technology are greater productivity, higher living standards, more leisure time, and a greater variety of products.

1.13.2 SOCIAL ENVIRONMENT

The social environment is made up of the attitudes, desires, expectations, degrees of intelligence and education, beliefs, and customs of people in a given group or society. The concept of social

responsibilities requires organizations to consider the impact of their actions on society. The ethical environment, which could well be included as an element in the social environment, includes sets of generally accepted and practiced standards of personal conduct. These standards may or may not be codified by law, but for any group to which they are meant to apply, they sometimes have virtually the force of law.

1.13.3 POLITICAL ENVIRONMENT

The attitudes and actions of political and government leaders and legislators do change with the ebb and flow of social demands and beliefs. In many communities, strong sentiments about air and water pollution control subsided only when plants that were unable to meet new standards had to be shut down. Government affects virtually every enterprise and every aspect of life. It promotes business by stimulating economic expansion and development by providing financial assistance. Finally, government is also the biggest customer of goods and services.

1.13.4 LEGAL ENVIRONMENT

Every manager is encircled by a web of laws, regulations, and court decisions not only on the national level but also on the state and local levels. Some are designed to protect workers, consumers, and communities. Others are designed to make contracts enforceable and to protect property rights. Many are designed to regulate the behaviour of managers and their subordinates in business and other enterprises. There is relatively little that a manager can do in any organization that is not, in some way, concerned with, and often specifically controlled by, a law or regulation. Managers are expected to know the legal restrictions and requirements applicable to their actions. Thus, it is understandable that managers, especially in business and government, usually have a legal expert close at hand as they make their decisions.



Planning ✓

Planning is deciding in advance what to do, how to do, when to do and who is to do. Planning bridges the gap from where we are to where we want to go. It makes possible for things to occur which would not otherwise happen (Figure 2.1).

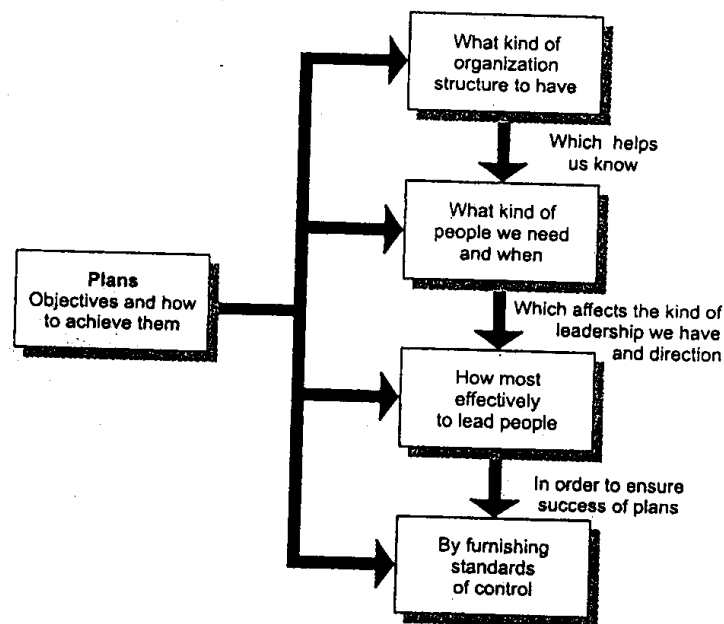


FIGURE 2.1 Planning Process.

2.1 CHARACTERISTICS OF PLANNING

1. Planning is closely associated with the goals of the organization. These goals might be implicit or explicit. However, well-defined goals lead to efficiency in planning.
2. Planning is primarily concerned with the forecasting of future situation in which an organization has to function. Accurate forecasting leads to correct decisions about future course of action.
3. Planning involves the selection of the best among several alternatives for achieving the organizational objectives, as all of them are not equally applicable and suitable to the organization.
4. Planning is comprehensive and is required in every course of action in the organization.
5. Planning is flexible as it is based on future conditions which are always dynamic. As such, an adjustment is needed between the various factors and planning.

2.4 TYPES OF PLANS

Planning consists of several individual plans or component parts which are bound together in a consistent structured operation. Identifying these components illustrates the breadth of planning. Planning process generally results into several specific plans. Some of these are in the form of standing plans while some others are single-use plans. Examples of standing plans are objectives, policy, rules, procedures, etc. Budgets, targets, and quotas are the examples of single-use plan. The basic difference between standing and single-use plan lies in their use over a period of time; standard plans are used over a long period of time, while single-use plans are used for only specific periods.

2.4.1 OBJECTIVES

Every organization, being a deliberate and purposive creation, has some objective or set of objectives. In complex organizations, objectives are structured in a hierarchy in which the objectives of each unit contribute to the objectives of the next higher unit. A broad objective states the purpose of the entire organization. The process of setting objectives is directed by management, and is the first step in planning. They serve as reference points for the efforts of the organization and are prerequisites to determine effective policies, procedures, methods, strategies, etc. Well defined objectives make clear to every individual in the organization what they are expected to achieve.

2.4.2 POLICIES

Policies are general statements or understandings, which provide guidance in decision-making by subordinates. A policy might be in the form of an explicit declaration in writing, or, as more often is the case, has to be interpreted from the behaviour of the organization members, particularly people at the top. Policies are the part of a plan in the sense that they also aid in mapping out a course of action.

2.4.3 STRATEGIES

Strategies are plans for bringing the organization from a given position to a desired position in future. It is the pattern of objectives, purposes and major policies and plans for achieving the goals. The purpose of competitive strategy is to encounter the forces of competitors so that competitions are faced properly.

2.4.4 PROCEDURES

A procedure includes how each of its tasks will take place, when it will take place, and by whom it is to be performed. Time factor is important not only to expedite the controlling efforts applied to a procedure but also to help coordinate the operation of various procedures within an organization. Once the procedure is established, this can be used over again, for accomplishing a particular work. Procedures are more exacting and numerous at lower levels as compared to higher levels. This is largely because at lower levels more exact and useful control is required; mostly routine jobs are performed at this level, which require less discretion in decision-making. Procedures often cut across departmental lines. For example, a procedure for executing a sales order prescribed in an organization will involve production, sales, finance, and inventory departments. Thus, procedure will prescribe how a sales order will be executed i.e. what will be the different steps in chronological order for this purpose.

2.4.4.1 Policy and Procedures

A procedure simply provides guidelines to the action by prescribing how stepwise action can be taken. Policy, on the other hand, provides guidance for managerial thinking as well as action. As a result, it does not tell a manager how to do something; it merely channels his decision-making along a particular line by delimiting his span of consideration. Thus, a policy is more flexible as compared to a procedure. The difference between policy and procedure may be understood by an example. An organization may have a policy of granting its employees vacation. For implementing this policy, certain procedure may be followed so that work does not suffer: employees get vacation by applying through certain procedure.

2.4.4.2 Characteristics of a Good Procedure

The following factors should be observed while setting a procedure.

- 1. Based on facts:** A procedure should be based on adequate facts of the particular situation and not guesses or wishes. For each case, due consideration must be given to the objectives, physical facilities, the personnel and the type of work. Thus, a procedure which is good for one organization may not be suitable for other organizations. The procedure should be such that its each step contributes positively to managerial actions.
- 2. Procedure as a system:** Procedures to be effective must be recognized as a system of interrelated activities in a network. The problem of procedures cannot be solved unless their complex systematic structure is analyzed. The designing of a procedure requires the same approach as that of organizing because it must properly integrate the various activities which are affected by a procedure.
- 3. Well-balanced:** Designing a procedure is essentially a matter of maintaining balance between stability and flexibility in the procedure. A procedure should possess stability in that it provides steadfastness of the established course with changes made only when fundamental modifications in the factors affecting the operation of the procedure occur. On the other hand, flexibility in a procedure is required in order to cope with a crisis or emergency, special demands, or adjustment to a temporary condition.

4. Updating procedures: There should be a continuous review of the working of the procedures so that their utility is ascertained. In many cases it happens that a new procedure is added without deleting or modifying the existing ones. Thus, after certain time, the organization has too many procedures without taking full advantages of these. The periodical review may specify the desirability of a procedure and unnecessary ones may be eliminated.

5. Minimum procedures: The basic principle of procedures is that they should be kept to the minimum possible. After all, every procedure costs something to the organization in terms of manager's time, paper handling, delay, and lack of responsiveness to change. Thus in changing environment, more procedures may create more problems.

2.4.5 RULES

A rule is a specific guide for action, established authoritatively, and utilized in order to inform employees of conditions under which designated actions are to be taken or activities are to be performed. A rule provides definite action to be taken or not taken with respect to a situation. The rule does not allow any deviation from stated course of action. For example, if an organization frames a rule 'smoking is prohibited' there is no discretion except to accept it. A procedure can be looked upon as a sequence of rules; a rule may or may not be a part of a procedure, but if somebody violates it, he may be penalized according to a certain set procedure. Thus, rule does not prescribe a time sequence for an action whereas procedure does so. The rules also perform the function of communicating the obligations of the officials in the organization. Usually, rules are given more deliberately than orders, and thus, the statement of obligations they explicate can be taken to be definite.

2.4.6 METHODS

A method is a step of a procedure. It can be defined as a prescribed manner for performing a given task with adequate consideration to the objective, facilities available, and total expenditures of time, money, and effort. Thus, a method specifies how a step of a procedure is followed. A method is normally confined to one department and frequently to the efforts of one individual engaged in the specified work. Thus, a method is more limited as compared to a procedure. Analysis of methods shows that greater output is achieved when the task is carefully defined, performed in a definite manner, and with a definite period of time. Various techniques available for methods improvement are time and motion study, work simplification and work standardization.

2.4.7 PROJECTS

A project, or programme, is a type of plan which can be thought of in terms of planned actions integrated into a unit and designed to bring about a stated objective. The project is a scheme

for investing resources and such a scheme of investment may be quite large or small. A project means that the activity is definable in terms of specific objectives, it is infrequent and unique, it is complex and interdependent on various tasks accomplishment and is critical to the organization. The overall policy of the organization provides guidelines about project selection and implementation. Whether a project should be decided on the basis of its contribution to the organizational profits or it should be selected on the basis of how it is going to affect organizational image is a matter of policy decision. Like a policy, procedures too affect the project selection and implementation. The organization may provide a procedure manual setting forth in detail, the capital expenditure, budgeting and techniques. Routing a proposal through several persons provides a mechanism for obtaining the view and judgments of others. This also facilitates the coordination of interrelated activities.

2.4.8 BUDGETS

Budgets express organizational and departmental objectives in financial and non-financial quantities. They anticipate operating results over some future period of time and provide a basis for measuring performance as plans are translated into accomplishments. The budgets may be prepared for various groups of activities. Some important budgets are production, purchasing, materials, sales, advertising, personnel, cost, and capital outlay.

2.8 CORPORATE PLANNING ✓

Corporate planning is a process of determining the major objectives of an organization and the policies and strategies that will govern the acquisition and use of resources to achieve those objectives. Corporate planning is essentially based on strategic planning and at the same time takes care of operational planning and project planning. Corporate planning is concerned with changes in the overall shape of an organization and these changes usually take many years to be fruitful, which implies that corporate plans are necessarily long-range. However, corporate planning and long-range plans can be prepared for anything like building a submarine or modernizing the manufacturing plant of a company but they can not be called corporate plans.

2.9 STRATEGIC PLANNING

Strategic planning is the process of deciding on the objectives of the organization, the changes therein, and the resources used to attain these and on the policies that will govern the acquisition, use and deployment of the resources.

2.9.1 FEATURES OF STRATEGIC PLANNING

1. Strategic planning emphasizes the basic mission and goal of the organization.
2. It determines the basic policy and programmes of the organization. It provides a frame-work for operational planning on day-to-day decision-making.
3. The time frame is larger than other types of planning.
4. It provides for coherence in organization policy and decision on activity overtime.
5. It deals with uncertain environment by forecasting opportunities and threats therein.
6. It is comprehensive and is a unified plan for the deployment of scarce resources.

2.10 VISION, MISSION AND PURPOSE ✓

Vision is a vividly descriptive image of what a company wants to be or wants to be known for. To the leader, vision is a personal perspective on a condition that he thinks is the best for his followers. To his followers, vision is an articulation of where their leader is taking them. Vision is an inspired picture of a future that can be created, offering clarity amidst confusion, hope amidst despair and unity of purpose amidst diversity. It is true that a few management principles have been as misused as vision has been in post-liberalization India. Viewed by some companies as a panacea, and by others as a token gesture, vision became popular as a statement of intention. An organization vision offers a compelling method for forging employees into an empowered, highly motivated team. It is the corner-stone of the strategic architecture of a truly successful organization. The best vision portrays the future, but does not necessarily dictate how to get there.

CHAPTER 3

Organizing

Organizing refers to the formal grouping of people and activities to facilitate achievement of the firm's objectives. Figure 3.1 indicates the relationship of objectives and the organizational hierarchy.

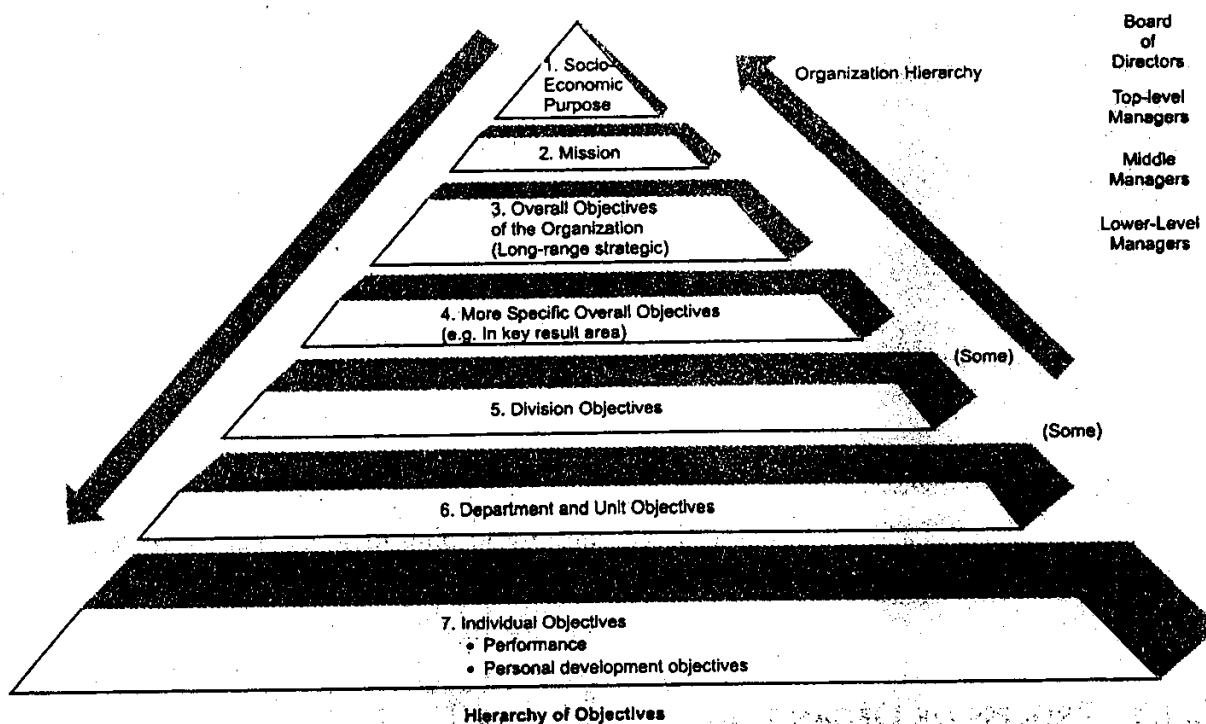


FIGURE 3.1 Relationship of Objectives and Organizational Levels.

3.1 ORGANIZATION THEORY

Organization theory is the study of structure, functioning and performance of organizations and the behaviour of groups and individuals within them. Organization theory is defined as a set of interrelated constructs, definitions and propositions that present a systematic view of behaviour of individuals, groups and subgroups interacting in some relatively patterned sequence of activity, the interest of which is goal-directed.

3.1.3 PROCESS OF ORGANIZING

The process of organizing consists of the following steps, as illustrated in Figure 3.2.

1. Determination of objectives: Organizations are built around objectives. For example, a business firm must decide whether it will publish books, manufacture cloth, sell machinery or

run vehicles on commercial basis. The overall enterprise objectives will depend on the immediate, the short-term and the long-term objectives.

2. Enumeration of activities: The first step in organizing group effort is the division of the total job into essential activities. For example, the work of an industrial concern may be divided into the following major functions: (i) production, (ii) financing, (iii) purchasing, (iv) sales, and (v) personnel.

3. Classification of activities: The next step will be to classify activities according to similarities, and common purposes and functions and taking the human and material resources into account. For each class of activity, there may be a department and for each sub-class, a section of the department, and so on. The various activities connected with production, for example, may be grouped and classified as production department activities.

4. Fitting individuals to functions: Having determined the various activities of the job to be done, the next step will be to fix suitable and well qualified persons into these activities. Each person in the group will be given a specific part of the job to do and will be made responsible for it.

5. Assignment of authority for action: Each member of the group available for a particular part of the job, having been given the responsibility for its completion, will be able to proceed only when he has the authority to proceed with it. Hence, delegation of authority to help complete the assigned part of the job is the next step in organizing.

3.1.4 ACTIVITY ANALYSIS ✓

The purpose of activity analysis, recommended by Peter Drucker, is to discover the primary activity of the proposed organization, for it is around this only that other activities will be built. In making this type of analysis, the manager responsible for organization building and development will also determine what activities can be grouped together and how each activity needs to be emphasized in the organization structure.

3.1.5 DECISION ANALYSIS ✓

At this stage the manager finds out what kinds of decisions will need to be made to carry on the work of the organization. What is even more important, he has to see where or at what level these decisions will have to be made and how each manager should be involved in them. This type of analysis, again recommended by Peter Drucker, is particularly important for deciding upon the number of levels or layers in the organization structure.

3.1.6 FORMAL AND INFORMAL ORGANIZATION ✓

The formal organization refers to the structure of jobs and positions with clearly defined functions and relationship as prescribed by the top management and bound by rules, systems and procedures. Informal organization refers to the relationships between people in an organization based not on procedures and regulations but on personal attitudes, whims, prejudices, likes, dislikes, etc. Since the informal organization has its basis in the emotions and attitudes of people, management cannot be effective and expeditious unless it recognizes and makes use of the informal organization for realizing organizational objectives.

3.2 PRINCIPLES OF ORGANIZING ~~XXXXXXXXXX~~ ✓

The success or failure of an organization would be revealed by its results. If it is able to achieve the desired objects, it is sound and efficient; if it fails to do so, there is something wrong somewhere in the organizational structure. However, the success of a business organization can perhaps be ensured better if the following basic principles are observed.

1. **Unity of objective:** Every part of the organization and the organization as a whole should be geared to the basic objective determined for the enterprise.
2. **Efficiency:** The organization should be able to attain the predetermined goals and objectives at the minimum cost. If it does so, it will satisfy the test of efficiency. From the point of view of an individual, a good organization should provide the maximum work satisfaction. Similarly, from the social point of view, an organization will be efficient when it contributes the maximum towards the welfare of the society.
3. **Span of management:** It is widely recognized that a manager can directly supervise only a limited number of executives. It is necessary to have a proper number of executives, answerable to the top manager. Most of the authorities prescribe a maximum of six for this (Figure 3.3).
4. **Division of work:** A good organization should consist of departments established to reflect the most efficient breakdown of enterprise activities. Proper departmentalization is an important principle of sound organization.
5. **Functional definition:** The duties and the authority relationships in a good organization must be properly and clearly defined, so that there is no confusion or overlapping.
6. **Scalar Principle (Chain of command):** The chain of command or the line of authority must be clearly defined for building sound organization. Every subordinate must know who is superior and to whom policy matters beyond his own authority must be referred for decision.
7. **Exception principle:** A good organization is so arranged that only exceptionally complex problems are referred to the higher levels of management and the routine matters are dealt with by executives at lower levels. This is called exception principle.
8. **Unity of command:** In a good organization, each subordinate should have one superior whose command he has to obey. This will avoid conflict of commands and help in fixing responsibility.
9. **Unity of direction:** There must be only one plan for a group of activities directed towards the same end. If each person in a department begins to work under a different plan or program of action, nothing but confusion will follow.

10. Responsibility: In a good organization, the superior is responsible for the activities of his subordinates and the subordinates must be held responsible to their superiors for the performance of the tasks assigned to them.

11. Authority and responsibility: The authority and responsibility must be coexisting in an organization. If it is not so, the subordinates cannot discharge their responsibility for want of necessary power to proceed with the task assigned.

12. Balance: Some matters may be left to be disposed of by the subordinates at the lower or the lowest level while some other (say, control over capital expenditure) must be centralized and a balance between centralization and decentralization should thus be achieved.

13. Flexibility: The organization must avoid complicated procedures, red-tapism and excessive complication of control so that it can adapt itself easily and economically to business and technical changes.

14. Continuity: The organization must be so arranged as to provide for the continuity of the enterprise. For this, there must be proper provision for executive development or training.

15. Facilitation of leadership: The organization structure should be so devised that there is enough opportunity for the management to give effective lead to the enterprise.

3.3 TYPES OF ORGANIZATIONS ✓

The problem in organizing is to select and combine the efforts of personnel so as to produce the desired result. The following are the broad patterns of organizing the personnel.

- Military or Line system
- Functional system
- Line and staff system
- Matrix system
- Hybrid design

3.5 CENTRALIZATION AND DECENTRALIZATION ✓

Centralization is that condition wherein much of the decision-making authority is retained at the top of the managerial hierarchy. Decentralization, on the other hand, is that condition wherein much of the decision-making authority is pushed downward to the lower management levels.

CHAPTER 4

Staffing

The managerial function of staffing involves effective recruitment, selection, placement, approval, and development of people to occupy the roles in the organization structure. Staffing is closely related, therefore, to organizing i.e. to the setting up of intentional structure of roles and positions.

4.1 PERSONNEL MANAGEMENT

Personnel management or human resource management (HRM) is an integral but distinctive part of management, concerned with people at work and their relationships within the enterprise. Development of human resources is essential for any organization that would like to be dynamic and growth-oriented. Unlike other resources, human resources have rather unlimited potential capabilities. The potential can be used only by creating a climate that can continuously identify, bring to surface, nurture, and use the capabilities of people.

4.2 SYSTEMS APPROACH TO STAFFING

The key staffing activities are described below (Figure 4.1).

1. **Enterprise plans are the basis of staffing:** At the base of staffing are enterprise plans, which are formulated during the planning process. In planning, opportunities for enterprises are identified and objectives are set based on forecast and strategy.
2. **Organization plans provide a key to staffing needs:** In order to carry out the plans, organizational arrangements must be made. To carry out every phase of any program successfully, the organization structure must be filled and maintained with competent managers.
3. **Requirement of managers are determined:** The number of managers needed in an enterprise depends not only upon its size but also upon the complexity of the organization structure, its plans for expansion, and the rate of turnover among managerial personnel. The

ratio between the number of managers and the number of employees does not follow any law of proportion.

4. Management inventory is developed: It is common for any business to keep an inventory of raw materials and goods to enable it to carry on its operations. However, it is far less common for enterprises to keep an inventory of available human resource, particularly managers, despite the fact that the optimum number of competent managers is a vital requirement to ensure success.

5. Recruitment, selection, placement and promotion is ensured: After the need for managerial personnel has been determined, a number of candidates may have to be recruited. This involves attracting qualified managerial candidates to fill organizational roles. From these candidates, potential managers are selected. Then promotion is given from the results. Both internal and external sources are used. A systems approach to selection process is shown in Figure 4.2.

6. Managers are appraised: Appraisal serves as a basis for identifying personnel within the enterprise who deserve promotion. Appraisal is a necessity in organizational life. Superiors need to know about the quality of performance of their subordinates and for which appraisal is made appropriately.

7. Provision of training and development is ensured: Managerial appraisal should also be used as the basis for identifying training and development needs.

8. Leading and controlling functions carried out: Well-selected and well-trained managers provide good leadership and create an environment in which people are motivated and communicate effectively. Likewise, controlling is enhanced by effective staffing. Higher the quality of selected managers and their subordinates, the lower the need for correcting undesirable deviations from performance standards.

4.3 ESTABLISHING ORGANIZATION STRUCTURE

The first step in establishing the organization's structure is the development of structural guidelines. The structure should be appropriate for and compatible with the external environment, consistent with and supportive of organization's critical goals and strategies, appropriate for organization's technology and accommodating the differences of the people in the organization. The next step is job designing. Job designing is the determination of a particular individual's work-related responsibilities. Once jobs have been analyzed and tasks assigned, the next step is to group the jobs in some logical arrangement. This step is called departmentation. Job content refers to the job or work itself. Since the motivational (intrinsic) factors emerge from the work-worker relationship, they are included under job content. On the other hand, job context includes the maintenance factors (extrinsic) because these factors are exogenous to the work and the employee.

The two are closely related in most work situations. But observe that motivational factors, or job content, are always timely and reinforce behaviour as it occurs. They must be present if motivation efforts are to reach their zenith. In contrast, maintenance factors tend to be of

relatively short duration; they lose some of their impact and importance with time. Herzberg observed that achievement feasibility and achievement itself lead to motivation; it is not the reverse i.e. motivation leading to achievement. The hygiene factors correspond to Maslow's first three need levels while the motivation factors with esteem and self-actualization. Job specifications are statements which describe something about the jobs of a company. They may describe the job itself. They may describe that kind of a person who should fill the given job. The difference between the two may be seen in connection with a middle management position. In practice, the term job specification is often used to include varying amounts of both job and information. Practice is not uniform regarding how much detail is included in a specification. And in many cases, it might be wise to translate job requirements into statements of human characteristics such as finger dexterity, physical strength, hand-eye coordination, and emotional poise.

4.4 RECRUITMENT AND SELECTION

The different procedural steps involved in the selection process are:

1. Job description
2. Application forms
3. Employment tests
4. Interviewing
5. Physical examination and
6. Induction or orientation

4.4.1 JOB DESCRIPTION

A job description is a combination of short statements that describe both the work to be performed and the essential requirements of the particular jobs.

The job description includes:

- Job title
- Department in which the job exists
- Work to be performed by the new employee
- Job responsibilities
- Job knowledge
- Mental concentration required
- Dexterity and accuracy required
- Machines, tools and processes to be handled
- Relation with other jobs
- Qualification and experience required
- Amount of supervision to be provided
- Physical activities
- Working conditions

4.4.2 APPLICATION FORMS ✓

An application blank or form is the most universal mechanism used to screen the applicants to be called for interview and other tests for selection purposes.

4.4.3 EMPLOYMENT TESTS ✓

Very often considerable training and money is expended upon an employee when it is discovered that he is unsuited to do the job for which he was employed. For this reason, and in order to avoid the recurrence of such a situation, employment tests are, sometimes, considered an essential part of the selection programme. An employment test measures selected psychological factors such as ability to reason, capacity for learning, temperament, specific aptitudes, physical or motor abilities etc.

4.4.4 INTERVIEWING ✓

An interview is a conversation directed to a definite purpose between an applicant and the interviewer and much of the interaction between these two is carried on by gestures, postures, facial expressions and other communicative behaviour. It is in the interview that both the prospective employee and employer get the chance to learn and know about each other.

4.4.5 PHYSICAL EXAMINATION ✓

Physical examination or medical check-up has to be carried out for the freshly recruited people. In many organizations, medical check-up is a must and it denotes the physical well being of an employee. Physical examination has at least three objectives:

1. It serves to ascertain the applicant's capability to meet the job requirements.
2. It serves to protect the organization against the unwarranted claims under Workman's Compensation Act or against law suits for damages.
3. It helps to prevent communicable diseases entering the organization.

The physical examination should be done by a qualified expert appointed by the organization to certify whether the candidate is physically fit to meet the requirements of the job.

be covered under orientation training may include history of the company, products of the company, organizational structure, employee services, personnel policies and practices and safety measures.

4.5 INDUSTRIAL LAW

A number of industrial laws have been enacted from time to time to take care of the working class. Some of the important laws are listed below.

1. The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
2. The Contract Labour (Regulation and Abolition) Act, 1970.
3. The Apprentices Act, 1961
4. The Payment of Wages Act, 1936
5. The Minimum Wages Act, 1948
6. The Payment of Gratuity Act, 1972
7. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
8. The Employees' State Insurance Act, 1948
9. The Maternity Benefit Act, 1961

4.6 CONCEPT OF HUMAN RESOURCE DEVELOPMENT

Human resource development (HRD), in the organizational context, is a process by which the employees of an organization are helped in a continuous and planned way to:

1. Acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles.
2. Develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and/or organizational development purposes.
3. Develop an organizational culture in which supervisor-subordinate relationships, team work, and collaboration among subunits are strong and contribute to the professional well-being, motivation, and pride of employees.

4.6.4 HRD SUBSYSTEMS ✓

The HRD subsystems include:

- Performance Appraisal
- Potential Appraisal and Development
- Feedback and Performance Coaching
- Career Planning
- Training
- Organizational Development(OD)
- Employee Welfare
- Human Resources Information
- Quality of Work Life

4.9.1 POSITIVE ASPECTS OF CONFLICTS ✓

Conflicts, though, are harmful for both the individual and the organization, it also holds some benefits. These are:

1. Conflicts provide opportunities to individuals and groups to think again and take a more concrete view of the situation.
2. These lead to innovation as conflicting situations always present threats to the working. In order to overcome this threat, the individuals and groups have to find out new ways of working.
3. Conflicts bring cohesiveness in groups. This happens more in the case of intergroup conflicts.
4. Conflicts provide challenging work environment as these develop high degree of competition.
5. As conflicts develop among various individuals and groups, these indicate the shortcomings in the existing system of organizational functioning, and hence, management attention can be drawn for overcoming such as shortcomings.
6. Conflicts may be used as a device to overcome many frustrations and tensions because people often express their frustration and tension by means of conflicts and thus, feel relieved.

4.9.2 INDIVIDUAL LEVEL CONFLICT ✓

Individual level conflict or goal conflict occurs when two or more motives block each other. There can be three forms of goal conflict; approach–approach conflict, approach–avoidance conflict, and avoidance–avoidance conflict.

4.9.3 ROLE CONFLICT ✓

An individual performs a number of roles. Although all the roles which he brings into the organization are relevant to his behaviour, his organizational role is most important. In the organization, every person is expected to behave in a particular manner while performing a specific role. When expectations of a role are materially different or opposite from the behaviour anticipated by the individual in that role, he tends to be in a role conflict because there is no way to meet one expectation without rejecting the other. Role conflict occurs in three situations: (i) when the individual occupies a role which is not consistent with the images, need, and expectations of the self, (ii) when the individual is physiologically unfit to fulfill the role expectations, and (iii) when due to gaps or deficiencies in the process of development of self, the person fails to perceive accurately the expected behaviours associated with the role.

4.9.4 INTERPERSONAL CONFLICT ✓

In an organization, two types of interpersonal conflict arises:

(i) **Vertical conflict:** Vertical relationship, that is mostly in the form of superior-subordinate relationship, results into vertical conflicts which usually arise because superior attempts to control the behaviour of his subordinates, and subordinates resist such control.

(ii) **Horizontal conflict:** Horizontal conflict at interpersonal level is among the persons at the same hierarchical level in the same function or in different functions. Resource sharing may be one of the reasons for horizontal conflict.

4.10 CONFLICT MANAGEMENT ✓

Among several available strategies, two main strategies of conflict management are: (i) changing structural arrangement, and (ii) taking conflict resolution actions, are briefly being discussed here.

4.11 AREAS OF CONFLICTS ✓

Conflicts in an organization may be:

- Regarding wage structure, wage calculation etc.
- Regarding factory working conditions
- Regarding supervision such as rigid rules etc.
- Regarding partial attitude of management
- Regarding collective bargaining



Directing

Leadership is the activity of influencing people to strive willingly for group objectives. Leadership is "interpersonal influence exercised in a situation and directed through the communication process, toward the attainment of a specialized goal or goals". A supervisor is the leader of a group or has a set target to be achieved in a given time. His leadership comes into play when the group goes adrift when there is a problem and a quick decision is to be made.

5.1 SUPERVISION AND LEADERSHIP

The essence of supervision and leadership are discussed below:

5.1.1 SUPERVISION

Supervision can broadly be classified as:

- (i) close supervision
- (ii) general supervision

5.1.1.1 Close Supervision

Close supervision reduces the worker's effectiveness. Most workers want enough supervision to be sure that they are doing their work correctly. Close supervision implies that the workers are incompetent and might lack in morale. Jobs requiring high quality and low time limit need close supervision. New workers need close supervision than old workers. This helps to develop good working habits.

5.1.1.2 General Supervision

General supervision gives the employees a chance to develop their skills. They learn to make decisions by being in a position to make them. Since the work is a result of their own efforts, they take pride in their work, improve productivity and show less absenteeism. It is likely that

an employee takes a better decision since he is closest to the problems. The supervisor also gets more time to spend on his other functions.

5.1.2 LEADERSHIP

Leadership, as defined earlier, is interpersonal influence exercised in order to guide people toward goal achievement. The person exercising this influence is called a leader. He can be relied upon for the performance of leadership functions continuously.

Leaders derive their authority from the group rather than imposing it upon them. He earns leadership by being popular and dependable or mostly the latter. It is this leadership that gives him the power to act. To clarify the difference between power and authority, it is being discussed below.

Authority is the right or privilege of directing or requesting workers to do or to refrain from doing something. It includes the right to take disciplinary action. *Power* is the ability to achieve the expected outcomes that emerge from supervisory directives. Authority is the right to tell a subordinate what to do; power is the ability to get the subordinate to do it.

5.1.3 LEADERSHIP TRAITS

Following are the traits of a leader found in general:

1. Leaders are self confident, well-integrated, and emotionally stable.
2. Leaders want to take leadership responsibility and are competent in handling new situations.
3. Leaders identify with the goals and values of the groups they lead.
4. They are warm, sensitive, and sympathetic toward other people, and give practical suggestions.
5. They are intelligent in relation to other group members.

5.1.4 LEADERSHIP STYLES

Studies reveal that leaders use leadership styles that are consistent with their personalities. The *style* reflects the leader's desire to be efficient, not the need to be autocratic. Leaders are not *born* but developed. Autocratic, participative, and free-reign are the three general classification of leadership styles.

5.1.4.1 Autocratic Leaders

As the name suggests, these leaders give orders for everything and provide no freedom of work for subordinates. Their instructions are straightforward and the doubts can be cleared easily. Some workers may feel that they are not given freedom to make decisions. This one-way communication might lead to misunderstanding and subsequent errors. It can also result in poor decisions. Such styles are needed during crises.

5.1.4.2 Participative Leaders

These leaders invite participation from subordinates to exercise their responsibility and freedom. They are concerned about their relations with the employees. Democratic leaders confer final authority on the group. Consultative leaders require a great deal of involvement, but they alone have the authority to make final decisions. Participative leaders expect constant feedback. This style of functioning consumes time.

5.1.4.3 Free-reign Leaders

They are completely non-directional. They give the group complete freedom to decide, having made clear the goals and guidelines to achieve it. This offers the greatest use of time and resources. This approach can motivate people to initiate and carry out complex work plans efficiently and responsibly. This style of functioning is seen, to some degree, among professionals like engineers, teachers and scientists.

5.3 MANAGERIAL GRID

The managerial grid (Figure 5.1) is a tool to help supervisors assess their leadership style. The grid was developed by Blake and Mouton to point out two major aspects of the supervisor's job. These variables are plotted on the chart based on supervisory self-assessment to determine which of the 5 styles of leadership best characterizes the supervisor.

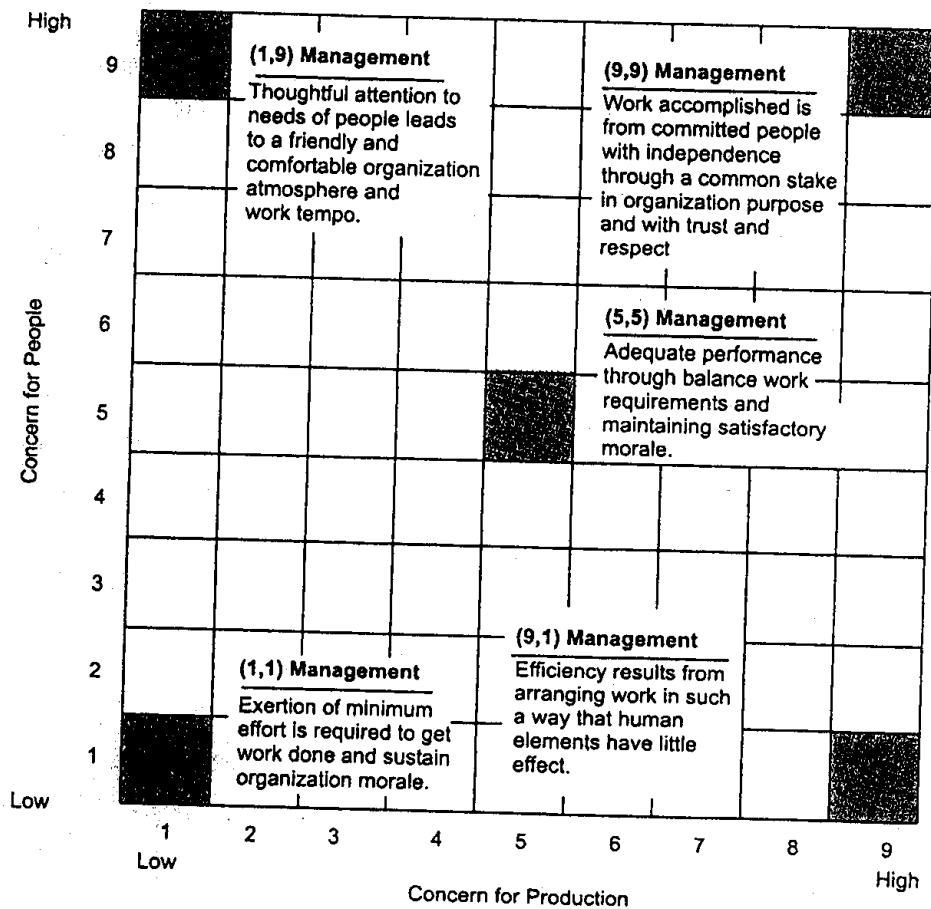


FIGURE 5.1 Managerial Grid.

5.5 COMMUNICATION

Communication is one of the most important facilitators of managerial activities. Without it, facts, ideas, and experiences cannot be exchanged. Understanding is the target in communicating. This emphasizes the need for knowing the subject, finding out what the recipient knows about it, and anticipating questions and answers. Communication is essentially a human transaction, and the influence and importance of human behaviour confront any person who wants to communicate with another. Being sensitive to the other person's needs and feelings is an important part of the communication effort. Communication helps managerial planning to be performed organizing to be carried out actuating to be followed and controlling to be applied, effectively. Successful communication is the result of competent management. Conceivably, one might be an excellent communicator, but a poor manager. However, a competent manager is nearly always a good communicator. Excellent communicative efforts may result in total failure if the management is ineffective.

5.5.1 TYPES OF COMMUNICATION

Communication may be classified as follows:

- On the basis of relationships between concerned parties i.e. formal or informal.
- On the basis of its flow or direction i.e. downward, upward or horizontal.
- On the basis of methods used for the purpose i.e. oral, written or by gestures.

Formal communication follows the chain of command of the formal organization. For any such communication, the path of transmission is prescribed, the form designated, and official sanction provided. This may include executive orders regarding new bonus systems or stock option plans, technical information for decision-making purposes, and procedural policies and rules as set forth in company manuals. *Informal communication*, also called grapevine are not provided in the organization structure. It may be used to spread false or distorted messages.

Downward communication refers to the flow of messages from the top-level to the lower level of the organization. *Upward communication* refers to the movement of messages from the lower level to the higher level management. *Horizontal communication* refers to the passing of messages within a department as in case of staff relationship.

Communication taking place verbally without any kind of written instructions comes under *Oral communication*. *Written communication* on the other hand implies messages circulated in written form e.g. circulars issued in an organization. *Communication by gestures* takes place when bodily expressions come into play for passing messages.

5.5.3 PURPOSE OF COMMUNICATION

1. To increase acceptance of organizational rules by subordinates in allowing them to exchange views, resolve ambiguities about their jobs, and settle conflicts among groups and individuals.
2. To gain greater commitment to organizational objectives by motivating, controlling, and evaluating the performance of organizational personnel. Assigning tasks, issuing orders, praising performance, and criticizing mistakes involve some degree of effective communication.
3. To provide data necessary for decision-making. Communication is a vital information function for solving simple or complex problems and making accurate decisions to positively influence organizational performance.
4. To clarify task responsibilities, identify authority positions, and provide accountability for performance. Organizational charts, information programs, and standard operating procedures attempt to routinize decision-making and provide a formal communication channel for management control in organizations.

5.5.4 COMMUNICATION PROCESS

Communication researchers have raised the following five questions, the answers to which make up the communication process.

1. Who? (Source/originator of message)
2. Says what? (Verbal and nonverbal symbols that constitute the message)
3. In which channel? (Selection of information transmission i.e. speaking, writing, etc.)
4. To whom? (Intentional or unintentional receiver of message)
5. With what effect? (Is message interpreted accurately and responded to appropriately)

5.5.5 BARRIERS TO EFFECTIVE COMMUNICATION

A lack of understanding about what really transpires in a communication exchange is a major barrier to good communication in organizations, but there are several other common barriers to effective organizational communication that cause breakdowns in information exchange. These are discussed below.

1. Lack of openness: Communication is between persons and is subject to all the influences that condition human behaviour. If somebody doesn't trust or respect you or your viewpoint, it's easy for that person to be distracted by the dislike or distrust. As a result, that person tends not to hear, read, or believe anything you communicate. Basic honesty is vital in any communication, but beyond this, candid disclosure of personal feelings, willingness to express contrary opinions, and frankness in evaluating the efforts of fellow employees are significant.

2. Filtering: When openness does not exist, a person may filter a communication if one feels it will harm one's chances of promotion. Employees tend to shape their behaviour to reap satisfying rewards. It is not uncommon for subordinates to refrain from communicating information that is potentially threatening to them or their superiors. Likewise, a communication issued at the top management level may be considerably altered by the time it reaches the bottom level.

3. Degree of motivation: When communicating, people have various motives – to persuade, to tell, to entertain, and to reinforce ideas. The enthusiasm displayed and the interests shown definitely condition the communication. When it is planned to appeal to the assumed motives of the participant, it usually is more effective.

4. Either-or thinking: There is also the consideration of a person behaving under the influence of "either-or" thinking. Early in life we learn to use such terms as near/far, objective/subjective, black/white, and we think and speak in this way. Actually most things don't conform to these convenient extremes. By taking the position of either-or, a person is committed to a position where compromising or viewing a situation correctly is not feasible. This places rigidities in communication.

5. Assumptions: Everyone makes assumptions about a working environment and the people in it. But when a high or low-level assumption is made without checking the facts, trouble and communication breakdown can occur. Mutual understanding must not be taken for granted. This assumption is one of the biggest causes of communication failure.

6. Snap reactions: When the receiver feels that little will be gained by listening or reading carefully, the communication is almost certain to be ineffective. The possibility that the given message has a new idea, fact, or point of view doesn't occur to the receiver. Frequently, this condition exists in communication between two persons in conflict or when one person is short-tempered.

7. Fear: Fear plays an important part in communication when emotionally loaded words like failure, death, strike, liar, and defeat are used. Fear can affect the translation of information. When communication is expressed under tension or nervousness, its effectiveness can be changed considerably by increasing mental and physical energy and alertness.

8. Language: The meaning of words is influenced by association. For example, the word 'pay' brings to mind different words to different persons. To the executive it might suggest bonus, checking account, cheque or bills. To clerks of the personnel department, promotion, job evaluation, or increase in salary may be thought of, while to another employee it may be associated with food, clothes, car, family, date, or blonde. There is also body language, which includes facial expressions, the twinkle in the eye, gestures made, and tone of voice. For example, a word spoken in anger can have an entirely different meaning from the same word spoken in friendliness.

9. Time constraints: When a manager or employee is placed under a severe time constraint, he or she is likely to hurry the conceptualization and encoding process or emotionally decode a received message that can result in extremely poor communication and performance.

10. Perception: Perception is the way in which we individually interpret messages from other people or sources. We are products of our past experiences and these cumulatively affect our perception and cause us to view people, events and other messages differently. Several perceptual factors restrict our accuracy, effectiveness, and efficiency in communicating.

11. Stereotyping: Stereotyping is generalizing "about a class of people, objects, or events that are widely held by a given culture." This orientation expresses itself in such statements and mindsets as All roadside automobile mechanics cheat their stranded customers.

12. Halo effect: A halo effect is "a process in which a general impression which is favourable or unfavourable is used by judges to evaluate several specific traits". The halo serves as a screen

keeping the receiver from actually seeing the trait he is judging. For example, a manager might single out one trait, such as an excellent attendance record, and perceive that the employee's productivity and quality of work must also be outstanding.

13. Projection: Projection is tending to attribute one's own undesirable personal trait(s) to another. For instance, if you are personally disorganized and tend always to be a few minutes late to meetings, you will probably be extremely aware of this trait in another individual who has a similar habit and dislike it very much. This is a sort of defense mechanism that allows a person to relieve feelings of guilt by projecting blame and incompetence onto some other person.

5.6 MOTIVATION ✓

Motivation is a predisposition to act in a specific goal-directed manner. Motivation may be defined as the state of an individual's perspective, which represents the strength of his or her propensity to exert effort towards some particular behaviour. An internal need energizes and activates human behaviour. Drive is the inner force that propels behaviour in a specific direction and goals are the incentives or payoffs that reinforce personal satisfaction, that in turn reinforces the perpetuation of needs. The extent of drive depends on the perceived level of satisfaction that can be achieved by the goal. Generally speaking, when employees enjoy their jobs, find the work challenging, and like the work environment, they will usually put forth their best efforts and perform their tasks enthusiastically. In other words, they are motivated to produce at optimal output.

5.6.1 TRADITIONAL APPROACH TO MOTIVATION

Many people argue that the traditional "carrot and stick" method of motivation still works today, the carrot being money and the stick being physical, financial, or social punishment. The assumption has been that people will work harder and produce more if substantial financial rewards are placed before them or if they are threatened with dismissal or peer embarrassment or physical punishment.

5.7 NEED THEORIES ✓

Need theories focus on the importance of analyzing and understanding the psychological factors with individuals that cause them to behave in certain ways. Various need theories have been put forward by scholars during the years from which four are being discussed here.

5.7.1 MASLOW'S NEED HIERARCHY ✓

Maslow recognized five basic human needs which constitute a "hierarchy" (Figure 5.3).

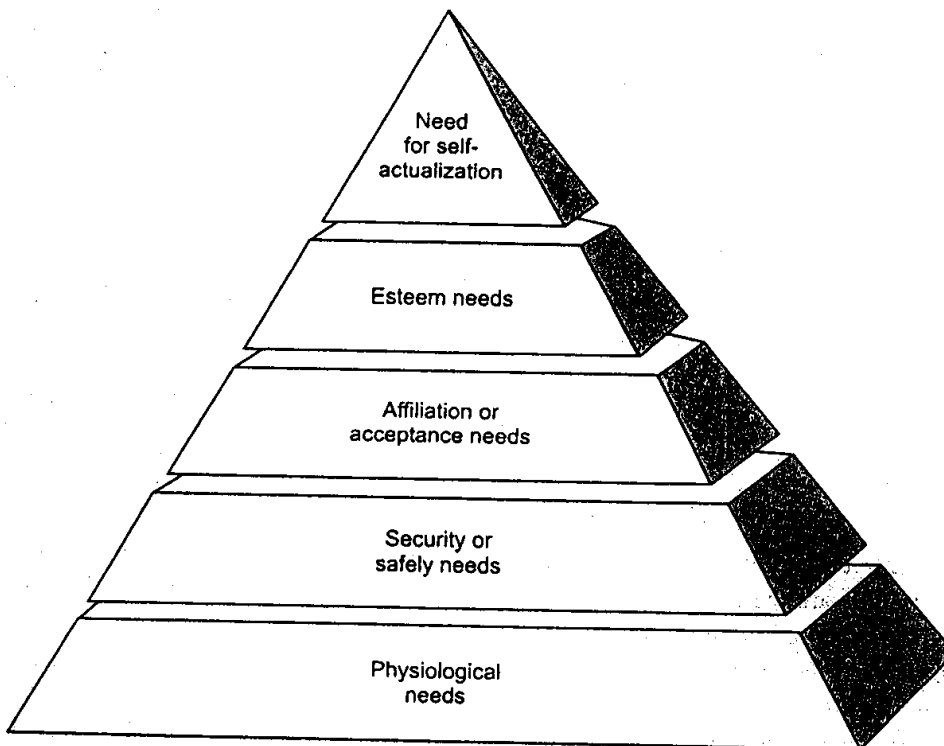


FIGURE 5.3 Maslow's Need Hierarchy Model.

Level 1: The first level of physiological needs includes food, air, water, sleep, shelter, sex, and any other necessities to sustain and preserve life. These are the most basic needs, and people

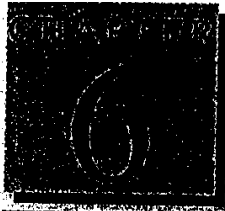
will be motivated to fulfill them first through whatever behaviour. Once satisfied, the needs cease to operate as a prime motivator of behaviour.

Level 2: The safety needs consists of the need for clothing, shelter, and an environment with a predictable pattern such as job security, pension, and insurance. People are motivated to fulfill these needs only when the physiological needs are mostly satisfied.

Level 3: Love or social needs include the need to be liked by others, to be a wanted member, and to belong to a group other than just a family. Developing meaningful relationships on the job, becoming a member in good standing of the informal organization, and receiving the grapevine communication are means of fulfilling this need in a person's worklife.

Level 4: Esteem needs include the need for self respect, sense of achievement, and recognition from others. The desire for status and prestige is an important aspect of the need for esteem. "Satisfaction of the self-esteem need leads to feelings of self-confidence, worth, strength, capability, adequacy, and being useful and necessary in the world.

Level 5: Self-actualization is the concept of fulfilling one's potential and becoming everything one is capable of becoming. To some, it may mean becoming the ideal mother or father, to another becoming the best jogger in the office, or to another developing the reputation of becoming the most daring investor in the firm.



Controlling

Controlling is determining what is being accomplished i.e. evaluating the performance and, if necessary, applying corrective measures so that the performance takes place according to plans. Controlling can be viewed as detecting and correcting significant variations in the results obtained from planned activities. Controlling is a managerial necessity and not an impediment or a hindrance.

6.1 CONTROLLING AND PLANNING

Planning bears a close relationship to controlling. Planning identifies commitments to action intended for future accomplishments. Controlling function is performed to ensure that the commitments are carried out. When controlling clearly demonstrates that the planning cannot be implemented, a modified or new plan must be developed. When unacceptable performance under a plan becomes common, controlling facilitates the decision regarding altering the plan or abandoning it. A plan should identify and specify the controls needed, otherwise it is not a viable plan. Effective controlling assists in the effort to regulate actual performance to assure that it takes place as planned.

6.2 CONTROL PROCESS

Controlling (Figure 6.1) consists of a process made up of the following three definite steps which are universal:

1. Measuring performance.
2. Comparing performance with the standard, and ascertaining the difference, if any.
3. Correcting unfavourable deviation by means of remedial action.

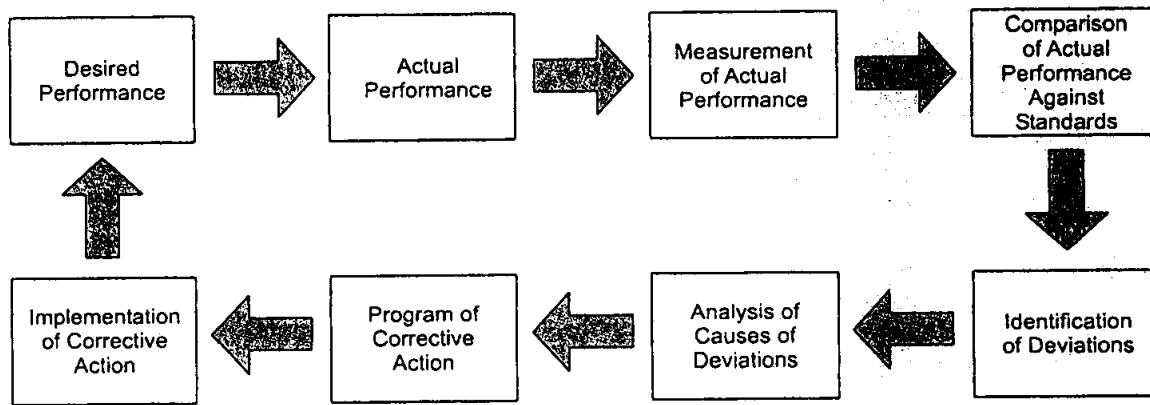


FIGURE 6.1 Control Process.

6.2.1 MEASURING PERFORMANCE

Measurement is the determination of the quantity or capacity of a well-defined entity. Without measurement, a manager is forced to guess or use rule-of-thumb methods, which may or may not be reliable. Measurement requires a measuring unit and a count of how many times the entity is under consideration.

6.2.2 COMPARING PERFORMANCE WITH STANDARDS

When there is a difference between the performance and the standard, judgment is frequently required to assess its significance. To establish a rigid absolute variation, or even a range for what is satisfactory, is inadequate. Relatively small deviations from the standard are approved for the performance of some activities, while in other cases a slight deviation may be serious.

6.2.3 CORRECTING DEVIATIONS

This step ensures that operations are adjusted and efforts are made to achieve the results initially planned. Wherever significant variances are uncovered, vigorous and immediate action is imperative. Effective control cannot tolerate needless delays, excuses, or excessive exceptions. For maximum effectiveness, correcting the deviation should be accompanied by fixed and individual responsibility. Fixed individual responsibility tends to personalize the work. It becomes one's job, one's responsibility to take the necessary action to reach satisfactory performance, and one's responsibility to make any correction that might be necessary.

6.3 TYPES OF CONTROL

Controls have been designated as preliminary control, concurrent control, and feedback control. *Preliminary control* takes place before operations begin and includes the development of

policies, procedures, and rules that are designed to ensure that planned activities will be carried out properly. *Concurrent control* takes place during the "action" phase of carrying out the plans and includes directing, monitoring, and fine-tuning of activities as they occur. Feedback control focuses on the use of information about previous results to correct possible future deviations from the acceptable standard.

6.3.1 PRELIMINARY CONTROL

Controlling helps in unifying the understanding of policies and procedures. Consistency in the use of policies and procedures is aided by the controlling efforts. To illustrate, a sales manager may have a policy that the manager must authorize any change in price from the published prices in writing; no salesperson is permitted to change any price. In effect, this clarifies the existent policy and provides control to the sales manager, who can know what is going on and exercise regulation and restraint over it.

6.3.2 CONCURRENT CONTROL

Concurrent control is the heart of any operating control system. On the production floor, all efforts are directed toward getting out the right quantity of the right product at the right time. In an airline terminal, the baggage crew must get the right bags to the right airplanes at the right time. Concurrent control can assist in guaranteeing that the plan will be carried out at the specified time and under required conditions.

6.3.3 FEEDBACK CONTROL

Feedback control implies that some data have been gathered and analyzed and the results returned to someone or something in the process being controlled so that corrections may be made. Timing is critical, if feedback control is to have any benefit. A process may be under real time control, such as a computer controlled robot or an assembly line. These units have sensing units, which determine whether they are in the correct position to perform their function. If not, there is a built-in control device that will make corrections. As a contrast, banks, which are trying to move toward real time transactions with electronic funds transfer (EFT) systems, must cope with slow manual systems that take days to clear a cheque.

6.4 CONTROL AT ORGANIZATIONAL LEVELS

Top management is most concerned with preliminary control and with obtaining feedback to indicate the degree to which long-range plans are being successfully carried out. Due to the intangible nature of their work, it is difficult for top management to apply concurrent control. Assessing top management by such short-term results as return on investment, or market share increases have often created long-term problems for the firm. Middle level management is

concerned with preliminary control in the form of operating policies and procedures. They are also charged with the responsibility of developing and justifying requests for new products, capital investment programs, and productivity improvement projects and of reporting on progress and controlling it. In these areas, feedback control is important. First-line (operating) management is concerned with immediate events and typically deals with a short time horizon. Anything that happened a month ago is ancient history, and anything that anticipates requirements for a month in the future is long-range planning to the first-line manager. This manager is interested in information that will help control quality, inventory, personnel, and costs on a day-to-day and even an hour-by-hour basis. Interchange of ideas among different levels is healthy and does not violate the control concepts discussed here.

6.5 INFORMATION AND CONTROL

The role of information in the control process is critical. Without accurate and timely information that can be used easily for decision-making, a control system will fall apart. With the increasing capabilities and decreasing costs of computers, it is relatively easy for large or small companies to gather huge amounts of data in a short time. It is much more difficult to summarize, analyze, and interpret the data in such a way as to change them into information that is useful for managerial decision-making.

6.8 MANAGEMENT AUDIT

Management audits have developed over the years as a way to evaluate the effectiveness and efficiency of various systems within an organization, from social responsibility to accounting control. Management audits may be performed for either internal or external purposes.

6.8.1 EXTERNAL AUDIT

An external audit is directed towards the evaluation of firms outside the boundaries of the corporation. The results of an external audit are generally used primarily for planning purposes. Some typical situations in which such an analysis might be beneficial are to:

- (1) investigate other firms for possible merger or acquisition
- (2) determine the soundness of the firm to be used as a major supplier, or
- (3) find out the strengths and weaknesses of a competing firm to better exploit its own competitive advantages. Typically, publicly available data are used for such evaluations.

6.8.2 INTERNAL AUDIT

Internal management audits may be used to improve the planning process as well as internal control systems. The periodic assessment of a company's managerial planning, organizing, actuating, and controlling by comparing it to what might be called the norm of successful operation is the essential meaning of an internal management audit. It reviews the company's past, present, and future performances. The areas covered by the company are examined with a view to determine whether the company is achieving maximum results from its endeavours, identifying areas where improvements are needed, and keeping expenditures to a minimum while carrying out required operations.

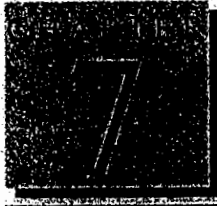
Controlling 115

6.9 AREAS FOR OVERALL CONTROLLING

While the term overall controlling usually connotes control efforts over the entire enterprise, popular use of the term has made it apply to control efforts over major areas. Usually such controlling is relatively intensive and includes the following areas.

1. Market standing of the enterprise,
2. Innovation
3. Profitability
4. Materials acquisition and use
5. Employee performance (both managerial and nonmanagerial) development
6. Capital or financial resources
7. Productivity
8. Physical resources
9. Public responsibility.

Applying controlling to these broad areas helps to minimize losses in sales, material, time, profit, manpower, capital, and facilities.



Decision Making

Decision-making is the process of selecting a course of action from among alternatives. It is a core of planning. Matters relating to all managerial functions are settled through decisions and the decisions are executed by the company personnel. A decision involves a choice; it is rational and means a commitment to action i.e. it is goal-oriented.

7.1 DEFINITION

Managerial decision-making involves an entire process of establishing the goals, designing tasks, searching for alternatives and developing plans in order to find the best solution to the decision problem. The elements of a decision-making process are:

- The decision-maker
- The decision problem
- The environment in which the decision is to be taken
- Objectives of the decision-maker
- The available alternative course of action
- The outcome expected from various alternatives
- The final choice of the alternative taken

7.2 CHARACTERISTICS OF DECISION MAKING

1. It is a process of selecting the best possible alternative
2. It is a rational process involving the application of intellectual ability
3. It is a goal oriented process
4. It is always related to the environment
5. It involves all actions like defining the problem, probing etc.
6. Decision is the end product

✓ 7.3 NATURE OF DECISION MAKING

Managerial decisions help in maintaining group effectiveness. Decision problems necessitate a choice from different available alternatives. A decision requires some sort of forecasting on the basis of past and present available informations. The effect of the decision is to be felt in the future. If the decision outcome is not as expected, then the decision itself may be wrong.

✓ 7.4 DECISION MAKING PROCESS

Decision-making involves a sequence of procedures as listed below.

1. **Defining the problem:** Precise definition and identification of main and sub-problems needed
2. **Classifying objectives:** Classification with reference to criticality and order of importance is required.
3. **Identifying evaluation criteria:** Cost, performance and risk involved are to be assessed quantitatively.
4. **Model building:** It may be mathematical or analytic through computer simulation; to assess the likely consequences of various alternatives.
5. **Evaluating results:** The analysis should lead to a recommendation for some type of action.
6. **Taking final decision:** The best possible solution is selected after taking into account the risks involved and the uncertain future.
7. **Feedback or following up the decision:** It is ensured that the decision is properly implemented and that no deviations occur.

7.6 CLASSIFICATION OF DECISIONS

Managerial decisions may be classified as:

1. Organizational and Personal
2. Routine and Strategic
3. Programmed and Non-Programmed
4. Policy and Operative
5. Individual and Group
6. Major and Minor
7. Long-term departmental and Non-economic

7.8 DIFFICULTIES IN DECISION MAKING ✓

Some difficulties normally experienced in decision-making are given below:

- Incomplete information
- Unsupporting environment
- Ineffective communication
- Incorrect timing
- Non-acceptance by subordinates

risk-taking	Objectives	include	Executive	Continuous	Accept
Role	Operational	Individual	Facilitate	Contribute	Accomplishment
Rule	Organization	Informal	Factor	Controlling	Achieve
Section	Organizational	Information	Financial	Coordinate	Achievement
Select	Organize	Installation	Firm	Coordinating	Activities
Selection	Organizing	Integrate	Flexibility	Coordination	Adequate
Sell	Output	Interest	Flexible	Corporate	Adjustment
Sequence	Perform	Interrelated	Follow	Cost	Administration
services.	Personal	Invest	forecast	Data	affect
Short-term	Plan	Investment	forecasting	Decentralization	Alternative
Single-use	Planning	Knowledge	Formal	Decide	Analysis
situation	Policy	lead	Function	Decision Decision-	Analyze
Skill	Political	Leading	Functional	making	Assign
Social	Position	Legal	Functioning	Department	Assignment
Source	Power	Limited	future	Design	Authority
Specific	Procedure	Long-term	gap	Determination	Based on facts
Specification	Process	Maintain	Goal	Determine	Behavior

Stability	Production	Manage	goods	Deviation	bridge
Standard	Profit	Management	Govern	Division	Budget
Standardization	Project	Manager	Group	Duty	Business
Standing plans	Purpose	Managerial	Grouping	Dynamic	Buy
Statement	Recognize	manual	Guesses	Economic	Centralization
Step	Regulate	Manufacture	Guidance	Effective	Command
Strategy	Relationship	Method	Guide	efficiency	Commercial
Structure	Require	Military	guideline	Efficient	Common
Supervisor	Resource	Monitor	Hierarchy	Effort	Complex
System	Responsibility	Motivating	Idea	Employee	Comprehensive
Systemic	Review	Need	implementation	Environment	Conceptual
Target	Reward	Negotiator	Improvement	exchange wealth	concern
Technical	Technique	Theory	Unit	generation	Well-balanced well-defined

Specification	Participative	Feasibility	Compare	Acceptance
Stable	Personal	Feedback	Compatible	Alternative
Staff	Personal	Formal	Compete	Applicant
Staffing	management	Formulate	Competition	Application
Strength	Placement	Gain	Competitor	Appraisal
Subordinate	Potential	Human Resource	Condition	Appraise
Success	Practice	Department	Conflict	Appropriate
Supervise	Productivity	Impact	Consideration	Approval
Supervision	Professional	Influence	Contribute	Arrangement
Target	Projection	Informal	Critical	Assume
Team	Promote	Integrate	Decision-	Assumption
Test	Promotion	Interaction	making	Attainment
Threat	Purpose	Interview	Department	Attitude
Training	Qualification	Interviewing	Development	Audit
Turnover	Qualify	Inventory	Deviation	Autocrat
Wages	Quality	Investigate	Direct	Available
Weakness	Quantity	Job	Duration	Barrier
Routine	Rate	Knowledge	Effort	Basis
Satisfaction	Ratio	Law	Employee	Behave
Specialize	React	Leadership	Employment	Behavior
Orientation	Reaction	Major	Enhance	Candidate
Outcome	Recruit	Material	Enterprise	Capability
Selection	Recruitment	Measure	Essential	Capacity
Factory	Regulate	Medical	Evaluate	Career
Satisfy	Request	Minor	Exercise	Certify
Select	Requirement	Monitor	Expansion	Challenge
Communicate	Resolution	Observe	Expectation	Chance
Communication	Result	Occupy	Experience	Collaboration
	Reward	Operation	Facilitate	Combination