

**THAKUR COLLEGE OF SCIENCE AND COMMERCE**  
**DEPARTMENT OF COMMERCE**  
**SYBCOM: COMMERCE-III (SEMESTER-III)**

**COMMERCE – III (MANAGEMENT: FUNCTIONS AND CHALLENGES)**

Sr. No	Modules	No. of Lectures
1	<b>Introduction to Management</b>	12
2	<b>Planning &amp; Decision Making</b>	10
3	<b>Organizing</b>	12
4	<b>Staffing, Directing And Controlling</b>	11
	<b>Total</b>	<b>45</b>

1.	<b>Introduction to Management</b>
	<ul style="list-style-type: none"> <li>• <b>Management</b> Management- Concept, Nature, Functions, Management Skills and Competencies</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Evolution of Management Thoughts</b></li> </ul>
	Classical Approach: Scientific Management – F.W.Taylor’s Contribution Classical Organization Theory: Henri Fayol’s Principles Neo Classical: Human Relations Approach – Elton Mayo’s Hawthorne experiments
	<ul style="list-style-type: none"> <li>• <b>Modern Management Approach</b> Peter Drucker’s Dimensions of Management, Indian Management Thought: Origin &amp; Significance of Indian Ethos to Management. <b>Significance of Kautilya’s Arthashastra in Management – Chanakya Niti</b></li> </ul>
2.	<b>Planning &amp; Decision Making</b>
	<ul style="list-style-type: none"> <li>• <b>Planning</b> - Steps, Importance, Components, Coordination – Importance</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>M.B.O</b> -Process, Advantages, Management Information System – Features and Components , Management By Exception- Advantages;</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Decision Making</b> - Techniques, Essentials of a Sound Decision Making, Impact of Technology on Decision Making.</li> </ul>
3.	<b>Organizing</b>
	<ul style="list-style-type: none"> <li>• <b>Organizing</b>-Steps, Organization Structures – Features of Line &amp; Staff</li> </ul>

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	Organization, Matrix Organization, Virtual Organization, Formal/s Informal Organization.
	<ul style="list-style-type: none"> <li>• <b>Departmentation</b> -Meaning -Bases , Span of Management-Factors Influencing Span of Management, Tall and Flat Organization.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Delegation of Authority</b>- Process, Barriers to Delegation, Principles of Effective Delegation. Decentralization: Factors Influencing Decentralization, Centralization v/s Decentralization</li> </ul>
<b>4.</b>	<b>Staffing, Directing And Controlling</b>
	<b>Staffing : concept, Importance, functions, Selection Process, types of employees test</b>
	<p><b>Motivation</b> – Concept, Importance, Influencing factors.</p> <p><b>Leadership</b>- Concept, Functions, Styles, Qualities of a good leaders</p>
	<b>Controlling</b> – Concept, Steps, Essentials of good control system, Techniques of Controlling -PERT, CPM, Budgetary Control, Management Audit.

**Reference Books**

1. Management Principles and Practices – M. Sakhivel Murugan- New Age International
2. Principles of Management – R.N. Gupta-S. Chand Limited
3. Principles of Management – Dr. J. Jayasankar – Margham Publication
4. Principles of Management – T. Ramasamy – Himalaya Publishing House
5. Management – JamesA.F.Stoner, Prentice Hall, Inc .U.S.A.
6. Management : Global Prospective –Heinz Weihrich& Harold Koontz, Tata McGraw- Hill, Publishing Co.Ltd.
7. Management Today Principles& Practice- Gene Burton, ManabThakur, Tata McGraw- Hill,PublishingCo.Ltd.
8. Indian Management Thoughts and Practices – V.N. Saxena - Himalaya Publishing House

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9. Ethics, Indian Ethos and Management - S. Balachandran and others, - Shroff Publishers and Distributors Pvt. Ltd.

**SYBCOM**  
**COMMERCE III**

**Unit I**

**Introduction to Management**

**MANAGEMENT MEANING & DEFINITION**

**Introduction**

A business develops in course of time with complexities. Management is not only essential to business concerns but also essential to Banks, Schools, Colleges, Hospitals, Hotels, Religious bodies etc. Every business unit has objectives of its own. These objectives can be achieved with the co-operative efforts of several personnel. As E. Demock has rightly said “the management is not a matter of pressing a button, pulling a lever, issuing orders, scanning P & L statement, promulgating rules and regulations. Rather it is the power to determine what shall happen to the personalities and happiness of entire people, the power to shape the destiny of a nation and of all the nations which make up the world “meaning of Management.

Management is the art of getting things done by a group of people with the effective utilization of available resources. There are various definitions given by various management gurus but simply management is the process consisting of the functions of planning, organizing, staffing, directing and controlling the operations to achieve specified objectives

**DEFINITIONS OF MANAGEMENT**

- ✓ **Harold Koontz** defines “ Management is the art of getting things done through and with people in formally organized groups”
- ✓ **Mary Parker Follet** wrote “Management is the art of getting things done through people.”

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- ✓ **Henri Fayol** stated “To manage is to forecast and to plan, to organize, to command, to coordinate and to control.”
- ✓ **Peter Drucker** defines “ Management is a multi-purpose organ that manage business and manages managers and manages workers and work”

From the above definitions we can conclude that, Management is an individual or a group of individuals that accept responsibilities to run an organization. They plan, organize, direct and control all the essential activities of the organization. Management does not do the work themselves. They motivate others to do the work and coordinate all the work for achieving the objectives of the organization.

Management brings together all six Ms i.e. Men, Money, Machines, Materials, Methods and Markets. They use these resources for achieving the objectives of the organization such as high sales, maximum profits, business expansion, etc.

#### **NATURE/ FEATURES/ CHARACTERISTICS OF MANAGEMENT**

The main characteristics of management are as follows:

## Features of Management

1. Continuous and Never Ending Process.
2. Art of Getting Work Done from People.
3. Is Result-Oriented.
4. Multidisciplinary in Nature.
5. Group and Not an Individual Activity.
6. Follows Established Principles or Rules.
7. Aided but Not Replaced by Computers.
8. Situational in Nature.
9. Separate from Ownership.
10. Both an Art as well as a Science.
11. Is All Pervasive.
12. Intangible but its Impact is Felt.
13. Uses a Professional Approach in Work.
14. Dynamic in Nature.

Now let's briefly discuss each features of management

### 1. Continuous and Never ending process

Management is a process. It includes four main functions Planning, Organising, Directing and Controlling. The manager has to plan and organize all the activities. He has to give proper directions to his subordinates. He also has to control all the activities. The manager has to perform these functions continuously. Therefore, management is a continuous and never ending process.

### 2. Getting things done through people

The managers do not do the work themselves. They get the work done through the workers. To get the work done, managers need to lead the subordinates, to communicate effectively and to motivate the subordinates. A favourable work environment should be created and maintained.

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**3. Result oriented**

Management is result oriented. It gives a lot of importance to result. All the activities of managers are focused on the achievement of goals or result. Management always wants to get the best results at all times. The result can be in the form of increase in market shares, increase in profits, optimum use of resources, higher efficiency etc.

**4. Multidisciplinary in Nature**

Management has to get the work done through people. It has to manage people. This is a very difficult job because different people have different emotions, feelings, aspirations, etc. Similarly, the same person may have different emotions at different times. So, management is a very complex job. Therefore, management uses knowledge from many different subjects such as Economics, Information Technology, Psychology, Sociology, etc. Therefore, it is multidisciplinary in nature.

**5. Group Activity**

Management is not an individual activity. It is a group activity. It uses group (employees) efforts to achieve objectives. It tries to satisfy the needs and wants of a group (consumers). Management gives importance to the team and not to individuals. The combined efforts of all the managers bring success to the organization.

**6. Follows established principles or rules**

Management follows established principles, such as division of work, discipline, unity of command etc. These principles help to prevent and solve the problems in the organization.

**7. Aided but not replaced by computers**

Now –a – days, all managers use computers. Computers help the managers to take accurate decisions. However, computers can only help management. Computers cannot replace management. This is because management takes the final responsibilities. Thus, management is aided but not replaced by computers.

**8. Situational in Nature**

Management makes plans, policies and decisions according to the situation. It changes its style according to the situation. It uses different plans, policies, and styles for different situations. Management has to take decisions depending upon the situation. This is called Situational Management.

**9. Need not be an Ownership**

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In small organizations, management and ownership are one and the same. However, in large organization, management is separate from ownership. The managers are highly qualified professionals who are hired from outside. The owners are the shareholders of the company.

**10. Both an Art and Science**

Management is an art as well as a science. In practice, managing is an art. Management conducts continuous research. Therefore, it is a science. Management has characteristics of both art as well as science.

**11. All pervasive**

Management is all pervasive. It is applicable not only in business organizations as well as in non- business organizations. Management is necessary for running all organizations. It is also essential for running non business organizations like educational institutions, charitable trusts, religious institutions etc.

**12. Management is Intangible**

Management is intangible, i.e. it cannot be seen and touched, but it can be felt and realized by its results. The success or failures of management can judge only by its results. If there is good discipline, good productivity, good profits, etc. then the management is successful and vice-versa.

**13. Uses a professional approach in work**

Managers use a professional approach for getting the work done from their subordinates. They delegate (give) authority to their subordinates. They ask their subordinates to give suggestions for improving their work. They also encourage subordinates to take the initiative.

**14. Dynamic in nature**

Management is dynamic in nature. That is, management is creative and innovative. An organization will survive and succeed only if it is dynamic. It must continuously bring in new and creative ideas, new products, new ads, new marketing techniques etc.

**MANAGEMENT FUNCTIONS**

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance,

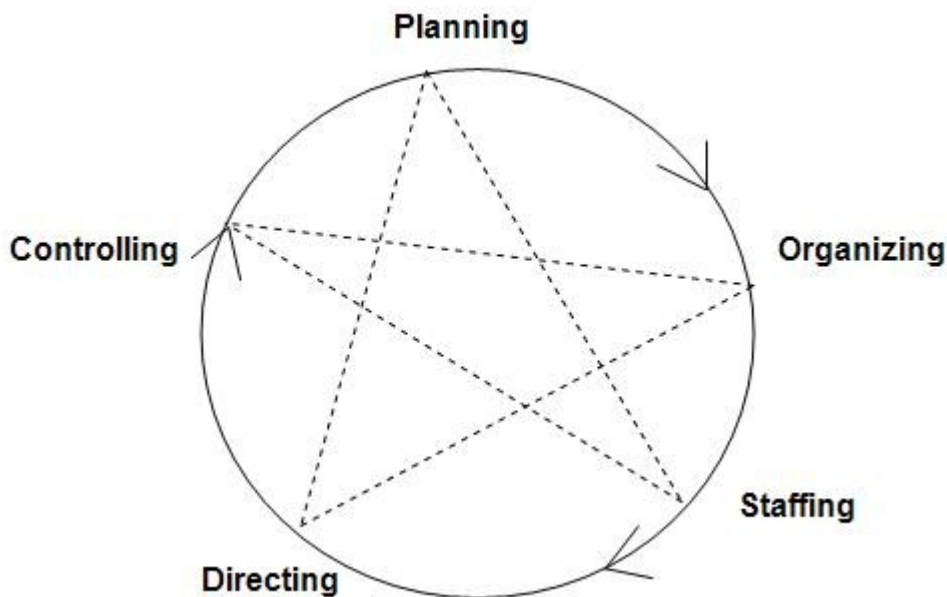
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purchase etc. Rather these activities are common to each and every manager irrespective of his level or status.

Different experts have classified functions of management. According to *George & Jerry*, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”.

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas Luther Gullick has given a keyword ‘**POSDCORB**’ where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O’DONNEL i.e. **Planning, Organizing, Staffing, Directing** and **Controlling**.

For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.



### 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

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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.

**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:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- 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 in the structure". Staffing involves:

- Manpower Planning
- Recruitment, Selection & Placement.
- Training & Development.
- Remuneration.
- Performance Appraisal.
- 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-

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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:

- Supervision
- Motivation
- Leadership
- Communication

### **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. It involves Measurement of actual performance, comparison of actual performance with the standards and finding out deviation if any and taking Corrective action.

### **6. Co-Ordination:**

Each managerial function is an exercise in co-ordination. It is said that co-ordination is the essence of management. It is an integral plan of direction. Co-ordination is concerned with harmonious and unified action directed toward a common objective. It involves inter-relating various parts of the work or organisation.

It is not a separate activity but a condition that should diffuse itself through all phases of the management process. Co-ordination is an orderly arrangement of group efforts to provide unity of action.

### **7. Decision Making**

Decision-making is an essential aspect of modern management. It is a primary function of management. A manager's major job is sound/rational decision-making. He takes hundreds of decisions consciously and subconsciously. Decision-making is the key part of manager's activities. Decisions are important as they determine both managerial and organizational actions. It represents a well-balanced judgment and a commitment to action.

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It is rightly said that the first important function of management is to take decisions on problems and situations. Decision-making pervades all managerial actions. It is a continuous process. Decision-making is an indispensable component of the management process itself.

## **SKILLS OF MANAGEMENT**

**Skill** is defined as the ability or capacity to do something, acquired through specific training. Skills are learned abilities. For example, in order to be an engineer, you need to acquire the engineering skills, or in order to become a chef, you need to acquire cooking skills. In modern business to manage the job management has become very difficult. Several skills are required to manage a large organization successfully in a dynamic environment. These skills of managers have been classified

### **1. Conceptual Skills**

Conceptual means hypothetical or theoretical. Conceptual skills help managers to visualize, to diagnose and to understand the various aspects of problems or situations. Conceptual skills comprise the ability to see the whole organization and the interrelationships between its parts. These skills refer to the ability to visualize the entire situation and try to find out the solutions. Such competence is necessary for rational decision-making. It deals with the ideas. The conceptual skill is particularly necessary in top level management.

### **2. Human Skills**

It refers to interpersonal skills. It means the ability of the manager to interact with the subordinates. Human skills consist of the ability to work effectively with other people both as individual and as members of a group. These are required to win cooperation of others and to build effective work teams. Such skills require a sense of feeling for others and capacity to look at things from others point of view. Human skills are reflected in the way a manager perceives his superiors, subordinates and peers. All managers at all levels need these skills because every manager deals with people.

### **3. Technical Skills**

Technical skills refer to the ability and knowledge in using the equipment, technique and procedures involved in performing specific tasks. These skills require specialised knowledge and proficiency in the mechanics of particular job. This skill is particularly necessary at the lower level of management. Lower level managers have to supervise the

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work of the employees. A supervisor is mainly directing and controlling the employees. Therefore, he needs technical skill to undertake day-to-day operations.

Apart from above three skills manager also requires few more skills they are as follows.

**4. Administrative Skills**

Top level manager needs to be good administrator. As top level managers are managing the organization, they need to have administrative skills. Administrative skills mean skills to get work done from others. In administrative skills managers need to frame plans and policies. They need to coordinate activities and achieve goals.

**5. Diagnostic Skills**

Diagnostic Skills means analytical skills. It includes the ability to analysis and examines the nature and circumstances of particular conditions. It is not only the ability to specify why something happened but also the ability to develop certain possible outcomes. It is the ability to cut through unimportant aspects and quickly get to the heart of the problem. Diagnostic skills are probably the most difficult ones to develop because they require the proper combination of analytic ability with commonsense and intelligence.

**6. Leadership Skills**

A manager must be good leader. He should lead and motivate his subordinates. Every manager needs to have leadership qualities. They should follow right leadership style depending upon the situations.

**7. Communication Skills**

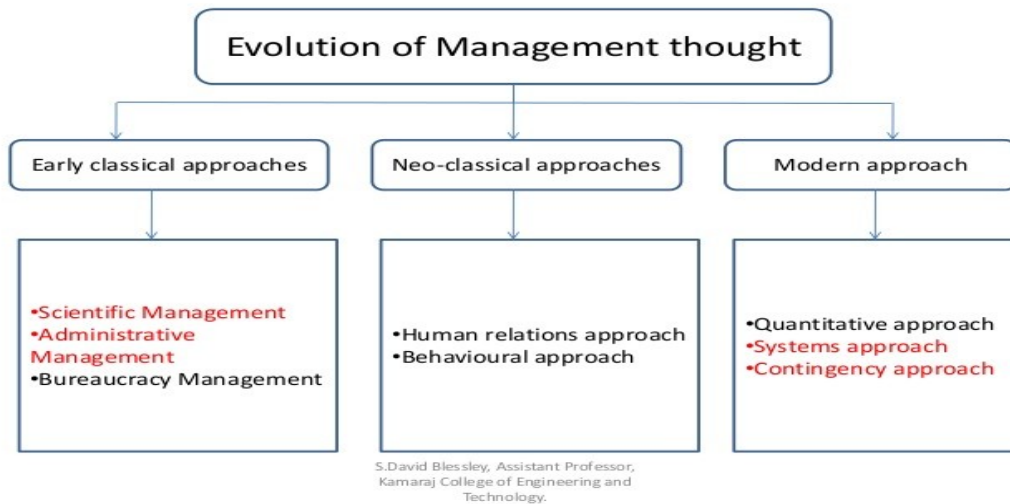
Managers need to be effective communicators. They should know what to communicate, whom to communicate, when to communicate and how to communicate. Effective communication skill helps the manager to share information with subordinates and get suitable suggestions from them.

**8. Decision Making Skills**

All managers at all levels need to take decisions. Manager needs to develops alternative solutions of the problems and select the best one. Manager has to take quick and balance decisions.

**EVOLUTION OF MANAGEMENT THOUGHTS**

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There are three major classifications for management theories: **Classical Management Theory, Behavioral Management Theory and Modern Management Theory**. These classifications represents a different era in the evolution for management theories. Each of these classifications further contain multiple sub-theories.

**Classical Management Theory** centers around execution and maximizing production. **Behavioral Management Theory** focuses increasingly on human elements and viewing the workplace as a social environment. **Modern Management Theory** builds on the previous two theories, while incorporating modern scientific methods and systems thinking.

### **Classical Management Theory**

Classical Management Theory is the oldest management theory. Classical Management Theory focuses on operations and the creation of standards to increase production output. In Classical Management Theory, compensation is considered the primary motivation for employees. A manager practicing Classical Management Theory would be focused on improving output and rewarding high-performing employees through wages or bonuses.

There are three primary theories that comprise the Classical Management Theory:

#### **A. Scientific Management Theory**

Scientific Management Theory is a very early management theory focused on minimizing waste and reducing production times. It was developed by Frederick Taylor, who attempted using a scientific approach for improving operations. Taylor's

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theory emphasizes incentivizing employee performance and reducing “hit and trial” practices.

One of the earliest of these theorists was Frederick Winslow Taylor. He started the Scientific Management movement, and he and his associates were the first people to study the work process scientifically. They studied how work was performed, and they looked at how this affected worker productivity. Taylor's philosophy focused on the belief that making people work as hard as they could was not as efficient as optimizing the way the work was done.

In 1909, Taylor published "**The Principles of Scientific Management**." In this, he proposed that by optimizing and simplifying jobs, productivity would increase. He also advanced the idea that workers and managers needed to cooperate with one another. This was very different from the way work was typically done in businesses beforehand.

**Frederick Taylor’s Scientific Management Principles:**

**Techniques of Scientific Management**

**1. Science not Rule of Thumb**

- Taylor believed that there was only one best method to maximize efficiency which can be developed through study and analysis and should substitute ‘Rule of Thumb’ or hit and trial method throughout the organization.
- The scientific method involved investigation of traditional methods through work-study unifying the best practices and developing a standard method, which would be followed throughout the organization.
- In the present context, the use of internet has brought about tremendous improvements in internal efficiencies and customer satisfaction.

1. **Time Study** is the technique to determine the standard time taken by a worker of average skill and knowledge to complete a standard task.

2. **Fatigue study** seeks to determine the amount and frequency of rest intervals required in completing a task.

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3. **Motion study** refers to the study of movements of limbs which are undertaken while doing a typical job. This helps to eliminate unnecessary movements so that it takes less time to complete the job efficiently
  
4. **Differential piece wage system** was introduced to reward efficient workers by paying them at a higher rate than those who performed below standard.
  
5. **Mental Revolution**
  - Taylor emphasized that there should be complete harmony between the management and workers instead of a kind of class-conflict, the managers versus workers.
  - To achieve this state, Taylor called for complete mental revolution on the part of both management and workers.
  - The prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa.
  - He advocated paternalistic style of management should be in practice
  
6. **Standardization** refers to the process of setting standards for every business activity Simplification aims at eliminating superfluous varieties, sizes and dimensions of products.
  
7. **Functional foremanship** is an extension of the principle of division of work and specialization to the shop floor. Each worker is supposed to take orders from eight foremen in the related process or function of production namely
  - **Instruction Card Clerk:** He assigns work to all the employees.
  - **Route Clerk:** He decides how work will progress regarding total productions. So that production is on time.
  - **Time and Cost Clerk:** He determines what will be the total cost and how much time each job takes.
  - **Disciplinarian:** He sees that there is discipline at work place.
  - **Speed boss:** He ensures that the work is moving at a suitable pace.
  - **Gang Boss:** He ensures sufficient availability of raw material, tools etc.
  - **Repair Boss:** He sees that whenever some repair is involved in any work, the work is done properly.
  - **Inspector:** He sees that whether the quality of output is good or not.

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**Functions of Scientific Management Approach:**

From Taylorism, we can find some significant functions. These functions positively help the administrators in their organization's leading. Such as:-

- According to the skills and abilities, an employee must be selected.
- Incentives and wages have to install for enhancing their output and encouraging them.
- Implemented those methods which are based on scientific tasks.
- Carefully observe eradicating interruptions when the plan runs.
- In an organization, leadership should develop and standard.

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**Features of Frederick Taylor Theory:**

According to Taylor, we can find some important features in Scientific Management Theory. Here has described those important features. Such as:

- **Universal:** Its principles apply to all kinds of organizations, business, non-business, all levels of management. Therefore, they are all-pervasive or universal.
- **Flexible:** Here available some flexible features. For example, dynamic guidelines, non-static rules, sufficient room for managerial discretion, Modification, and improvement.
- **Cause & Effect Relationship:** It indicates what will be the result of particular actions. So, if one is known, the other can be detected.
- **Aims at Influencing Human Behavior:** Human behavior is not simple and predictable. It always tries to deal with human behavior so that employees can be able to give the best result.
- **Equal Importance:** To achieve the organization's goal, we have to prioritize all things. These principles are the best examples of equal importance.
- **Scientific Selection, Training, and Development of Workers:** In the organization, workers must select, train, and develop through the scientific way.
- **Equal Division of Responsibility between Management and Workers:** Each business environment has to ensure an equal division of responsibility between management and workers.

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**Criticism of Scientific Management Theory by Taylor:**

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Although it appreciates the organizational process, yet it has not spared severe criticism. The criticism of Frederick Taylor's theory divide into two categories. Such as:-

**Workers Viewpoint**

- For increasing productivity, replace the machine instead of the man. Therefore, it may be an unemployment tool.
- Exploitation thinking arises in workers. So, they are not engaged in creative work.
- These principles enforce over-speeding at work. So, These harm the health of employees.
- Due to extreme specialization, the employees are not capable of taking a drive on their own. Their position decreases mere cogs in the wheel. As a result, the job becomes dull. Employees disappoint in working.
- Workers feel that these principles make weak the Trade Union. So, workers don't attract these principles.

**Employer's Viewpoint**

- It is an expensive system.
- Here enforces the work, study, standardization, and specialization. As a result, it is a time-consuming process.
- This procedure is one kind of deterioration of quality.

## **B. Administrative Management Theory**

Administrative Management Theory was developed by Henri Fayol, who is considered to be a founder of management theory. This theory considers all of the many activities that a business must conduct. Management is considered a primary business activity and this theory provides detailed guidelines for managers.

## **14 FUNDAMENTAL PRINCIPLES OF MANAGEMENT GIVEN BY HENRY FAYOL**

Henry Fayol, a famous industrialist of France, has described fourteen principles of management in his book '**General and Industrial Management**'. The fourteen principles given by Fayol are as under

### **1. Division of Work**

According to this principle of Fayol as far as possible the whole work should be divided into different parts. Each individual should be assigned only part of the work. The work should be assigned to different employees, as per their capacities, skills and interests. If a manager is turned to work on the same kind of activities

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for a long period of time, he will certainly be an expert in his particular job. Fayol says division of work leads to specialisation.

**2. Authority and Responsibility**

Authority means the power to take decisions and responsibility means the obligations for accepting authority. Fayol stressed that there should be a balance between authority and responsibility. Authority and responsibility always go hand in hand. When a person is given the authority, he should be held responsible for the same task. If the manager is given the authority to complete a task within a given time, he should be held responsible if he does not do that in time.

**3. Discipline**

Discipline means obedience, respect for authority and observance of established rules. Discipline is essential for any successful work performance. Discipline needs to flow from top to lower level in the organization. Employees must obey and respect the rules of the organization. For effective discipline there must be a clear understanding between the management and workers regarding the organizations rules.

**4. Unity of Command**

According to the principle of unity of command, every employee should receive orders from one superior (boss) only. This is applicable from top management to bottom. The principle of unity of command tries to avoid confusion. If an employee receives orders from more than one superior he will be confused and will not be able to complete the work on time.

**5. Unity of Direction**

Unity of direction means same directions to all employees doing similar job. There should be one head for one plan. The group of employees should be directed by one manager using one plan. In other words, there should be one plan of action for a group of activities having the same objectives.

**6. Subordination of Interest**

According to this principle, the interest of the organization is above individual interest. Every employee should work in the interest of the organization and not for their own self interest. For example, if a manager takes some decision which harms him personally but results in a great profit to the company, he should give priority to the interest of the company and take the decision accordingly.

**7. Remuneration to Employees**

This principle states that the employees must be paid a fair wages for their services. Wages and salaries must be paid on time. While paying remuneration

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the skill, expertise, knowledge, cost of living, etc. of the employees should be considered.

**8. Centralization**

Centralization refers to the concentration of power or authority. According to this principle, there must be a proper balance between centralization and decentralization in the organization. The superior should adopt effective centralization instead of complete centralization and complete decentralization.

**9. Scalar Chain**

It refers to formal line of authority which moves from top level to the lower level. It means each communication must move from top to bottom. Fayol states scalar chain must be followed in a strict manner. But scalar chain can be broken if situation so demands for the interest of the organization. It is called as '**Gang plank**'. Gang plank means cross communication i. e. not following the chain. It avoids delays.

**10. Order**

According to the principle of order, a right person should be placed at the right job and a right thing should be placed at the right place. It means there must be proper arrangement of people and material in the organization. This principle gives important to proper utilization of physical and human resources.

**11. Equity**

Equity means social justice and not equality. This principle is about fair and equal treatment to all employees. Managers should be kind and fair to their subordinates. There should not be any discrimination between the employees. As far as possible there should be equal division of work. This avoids conflicts in the organization.

**12. Stability of Personnel**

It means job security. While appointing an employee the manager should assure the stability of tenure or job security to the employees. This creates sense of belonging among the employees. Employees should be made permanent. But at the sometime, incompetent and inefficient employees must be removed.

**13. Initiative**

Initiative means taking first step. It also means thinking of new ideas. According to this principle manager should encourage the employees to take initiative. The manager should welcome new ideas of the subordinates. This will enhance the moral of the subordinates. It also creates sense of belonging about the organization in the mind of the employees.

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**14. Esprit de corps**

Esprit de corps means union is strength. The manager should create team spirit among the employees. It improves loyalty, dedication and moral among the employees. Manager should build sense of togetherness among the employees.

**C. Bureaucracy Theory**

Bureaucracy Theory promotes reason to guide management decisions, rather than charisma or nepotism. Developed by sociologist Max Weber, this theory emphasizes formal authority systems. Unity and the authority of organizational hierarchies are central to Bureaucracy Theory.

**Behavioral Management Theory**

Increasingly complex industries and organizations gave rise to more human interests in the workplace. Management theories began to include more people-oriented methods. Human behavior and satisfying the interpersonal needs of employees became more central to management. A manager practicing Behavioral Management Theory might motivate teamwork through fostering a collaborative atmosphere.

There are two major theories that make up Behavioral Management Theory:

**Human Relations Theory**

Human Relations Theory considers the organization as a social entity. This theory recognizes that money alone is not enough to satisfy employees. Morale is considered to be integral to employee performance. The major weakness of this theory is that it makes several assumptions about behavior.

**Human Relations Approach**

**ELTON MAYO'S HAWTHORNE EXPERIMENT**

- It was conducted at the Hawthorne Plant of the Western Electric Company in Chicago from 1924 – 1932
- Experiments conducted by Prof. Elton Mayo and his colleagues of National Academy Of Science
- Hawthorne plant was a manufacturing telephone system bell.
- 30,000 employees were working in the plant.

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- Objective of experiment was to find out the behaviour and attitude of employees under better working conditions
- many facilities provided to employees productivity was not up to expectations
- Investigate reasons for dissatisfaction of employees and decrease in productivity.

The experiments were conducted in four phase

1. Illumination experiments ( 1924- 1927)
2. Relay assembly test room experiments ( 1927- 1928)
3. Mass Interviewing phase (1928- 1930)
4. Bank wiring observation room experiments (1931- 1932)

### **1. Illumination experiments**

- ✓ Ssequence of illumination conducted tests from 1924 to 1927, to determine the effects Change in lighting on productivity.
- ✓ Two group were formed- Experimental Group and Control Group
- ✓ In experimental group- variations in lighting made periodically
- ✓ No change in control group
- ✓ Observed that productivity increased in both the group
- ✓ Revealed that no relationship between lighting and productivity

### **2.The Relay Assembly Room**

- ✓ Experiment conducted to determine effect of changes in working conditions and productivity.
- ✓ Group consisted of 6 girls formed.
- ✓ Girls were chosen on their past performance and Place in separate room
- ✓ Group Bonus incentive scheme – productivity increased.
- ✓ Two 5minutes rest time started. 5 minutes increased to 10 minutes- Productivity increased
- ✓ Free snacks and coffee provided in rest period – Productivity increased
- ✓ Free Snacks and coffee withdrawn and 4 rest periods of 5 minutes added – Productivity decreased. Due to frequent rest period.
- ✓ Rest periods reduced to 2 of 10 minutes and coffee provided – Productivity Increased
- ✓ Changes in working day and working periods. Saturday holiday and cut half an hour working time – Productivity Increased.
- ✓ Withdraw all benefits – Productivity Increased
- ✓ **Observation that: Absenteeism decreased, Morale increased, Needed less supervision, Develop sense of responsibilities, Productivity increased even benefits withdraw , Socio- psychological factors affects productivity**

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### **3. MASS IINTERVIEWING PHASE**

- ✓ 21000 people were interviewed between 1928-1930
- ✓ Initially only direct questions asked after that indirect questions asked.
- ✓ Observation
- ✓ Productivity increased if people allowed to talk freely

### **4. Bank Wiring Test Room Experiment:**

- ✓ Conducted during 1931- 1932
- ✓ –A group of 14 male workers in the bank wiring room were placed under observation for six months.
- ✓ –A worker's pay depended on the performance of the group as a whole.
- ✓ The researchers thought that the efficient workers would put pressure on the less efficient workers to complete the work.
- ✓ – Productivity decreased

- **Observation**

**Fear of unemployment:** if produce more others will lose their job

- **Fear of raising the standards:** if reached the standard rate of production, management would raise the standard of production.
- **Protection of slower workers:** the faster workers protected slower workers by not producing more
- **Informal relationship influences human behaviour and productivity**

### **Findings of Hawthorne Experiments**

- ✓ Social and psychological factors deciding level of output not only working conditions
- ✓ Informal relations influence worker's behaviour
- ✓ Effective communication improve relations
- ✓ Employees perform better when given freedom to participate in decision making

## **Behavioral Science Theory**

Behavioral Science Theory combines elements of psychology, sociology, and anthropology to provide a scientific basis. It examines why employees are motivated by

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specific factors, such as social needs, conflicts and self-actualization. This theory recognizes individuality and the need for managers to be sociable.

### **Modern Management Theory**

Modern organizations must navigate constant change and exponential complexities. Technology is an element that can change and upend businesses very rapidly. Modern Management Theory seeks to incorporate these elements with human and traditional theories. A manager practicing Modern Management Theory might use statistics to measure performance and encourage cross-functional cooperation.

Three major modern theories comprise Modern Management Theory:

### **Quantitative Theory**

Quantitative Theory arose out of the need for managerial efficiency during World War II. It was developed using experts from multiple scientific disciplines to solve the issues around integrating systems of people, materials and systems. This theory was developed primarily to enhance and support military decision-making.

### **Systems Theory**

Systems Theory views management as an interrelated component of the organization. Instead of viewing the organization as a series of silos, each department is part of an overall system or organism. Management must support goals and process flows that serve the overall organizational health.

### **Contingency Theory**

Contingency Theory was developed by sociologist Joan Woodward after she examined why some companies performed better than others. She found that high performing organizations make better use of technology and their managers made better decisions in situational contexts. This theory recognizes that effective managers must be adaptable to unique situations and circumstances.

### **Peter Drucker management Dimension**

Peter Drucker (1909-2005) was one of the most widely-known and influential thinkers on management, whose work continues to be used by managers worldwide. He was a prolific author, and among the first (after Taylor and Fayol) to depict management as a

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distinct function and being a manager as a distinct responsibility. His writing showed real understanding of and sympathy for the difficulties and demands faced by managers.

Throughout his long career he has had interests as diverse as journalism, art appreciation, mountaineering, reading - drawing inspiration from the works of Jane Austen - and, of course, management teaching, writing and consultancy.

With 39 books published over seven decades (and translated into at least 30 languages) and many books written about him since his death, Drucker was, by common consent, the founding father of modern management studies.

### **Dimensions of Management:**

#### **1. Purpose and Mission**

An institution exists for a specific purpose and mission, a specific social function. In the business enterprise this means economic performance.

With respect to this first task, the task of specific performance, business and non business institutions differ. In respect to every other task, they are similar. But only business has economic performance as its specific mission. It is the definition of a business that it exists for the sake of economic performance. In all other institutions, hospital, church, university, or armed services, economics is a restraint. In business enterprise economic performance is the rationale and purpose.

Business management must always, in every decision and action, put economic performance first. It can justify its existence and its authority only by the economic results it produces. A business management has failed if it fails to produce economic results. It has failed if it does not supply goods and services desired by the consumer at a price the consumer is willing to pay. It has failed if it does not improve, or at least maintain, the wealth-producing capacity of the economic resources entrusted to it. And this, whatever the economic or political structure or ideology of a society, means responsibility for profitability. The first definition of business management is that it is an economic organ, the specifically economic organ of an industrial society. Every act, every decision, every deliberation of management, has economic performance as its first dimension.

#### **2. Productive Work and Worker Achievement**

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The second task of management is to make work productive and the worker achieving. Business enterprise (or any other institution) has only one true resource: man. It performs by making human resources productive. It accomplishes its performance through work. To make work productive is, therefore, an essential function. But at the same time, these institutions in today's society are increasingly the means through which individual human beings find their livelihood, find their access to social status, to community and to individual achievement and satisfaction. To make the worker achieving is, therefore, more and more important and is a measure of the performance of an institution. It is increasingly a task of management.

Organizing work according to its own logic is only the first step. The second and far more difficult one is making work suitable for human beings -- and their logic is radically different from the logic of work. Making the worker achieving implies consideration of the human being as an organism having peculiar physiological and psychological properties, abilities, and limitations, and a distinct mode of action. It implies consideration of the human resource as human beings and not as things, and as having -- unlike any other resource -- personality, citizenship, control over whether they work, how much and how well, and thus requiring responsibility, motivation, participation, satisfaction, incentives and rewards, leadership, status, and function. Management, and management alone, can satisfy these requirements. For workers, whether machine tenders or executive vice-presidents, must be satisfied through their achievement in work and job -- that is, within the enterprise; and management is the activating organ of the enterprise.

### **3. Social Impacts and Social Responsibilities**

The third task of management is managing the social impacts and the social responsibilities of the enterprise. None of our institutions exists by itself and is an end in itself. Everyone is an organ of society and exists for the sake of society. Business is no exception. Free enterprise cannot be justified as being good for business. It can be justified only as being good for society.

The first new institution to emerge after antiquity, the first institution of the West, was the Benedictine monastery of the sixth century. It was not founded to serve community and society, however. On the contrary, it was founded to serve exclusively its own members and to help them toward their own salvation. Therefore, Saint Benedict removed his monastery from human society and into the wilderness. He was not particularly afraid that his monks would yield to the temptations of the world. He saw a greater danger: that they would be concerned

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with the world, take responsibility for it, try to do well, and be forced to take leadership. Unlike the Benedictine monastery, every one of our institutions today exists to contribute outside of itself, to supply and satisfy non-members. Business exists to supply goods and services to customers, rather than to supply jobs to workers and managers, or even dividends to stockholders. The hospital does not exist for the sake of doctors and nurses, but for the sake of patients who's one and only desire is to leave the hospital cured and never come back. The school does not exist for the sake of teachers, but for the students. For a management to forget this is mismanagement.

This dimension of management is inherent in the work of managers of all institutions. University, hospital, and government agency equally have impacts, equally have responsibilities -- and by and large have been far less aware of them, far less concerned with their human, social, and community responsibilities than business has. Yet, more and more, we look to business management for leadership with regard to the quality of life. Managing social impacts is, therefore, becoming a third major task and a third major dimension of management.

#### **4. The Time Dimension**

Management always has to consider both the present and the future; both the short run and the long run. A management problem is not solved if immediate profits are purchased by endangering the long-range health, perhaps even the survival, of the company. A management decision is irresponsible if it risks disaster this year for the sake of a grandiose future. The all too common case of the great man in management who produces startling economic results as long as he runs the company but leaves behind nothing but a sinking hulk is an example of irresponsible managerial action and of failure to balance present and future. The immediate economic results are actually fictitious and are achieved by paying out capital. In every case where present and future are not both satisfied, where their requirements are not harmonized, or at least balanced, capital, that is, wealth-producing resource, is endangered, damaged, or destroyed.

Today we are particularly conscious of the time dimension in respect to the long-range impact of short-run economic decisions on the environment and on natural resources. But the same problem of harmonizing today and tomorrow exists in all areas, and especially with respect to people.

The time dimension is inherent in management because management is concerned with decisions for action. And action always aims at results in the future.

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Anybody whose responsibility it is to act -- rather than to think or to know -- commits himself to the future.

For the manager the future is discontinuity. And yet the future, however different, can be reached only from the present. The greater the leap into the unknown, the stronger the foundation for the takeoff has to be. The time dimension endows the managerial decision with its special characteristics. It is the act in which the manager integrates present and future.

### **5. Administration and Entrepreneurship**

There is another dimension to managerial performance. The manager always has to administer. He has to manage and improve what already exists and is already known. But he also has to be an entrepreneur. He has to redirect resources from areas of low or diminishing results to areas of high or increasing results. He has to slough off yesterday and to render obsolete what already exists and is already known. He has to create tomorrow.

In the ongoing business markets, technologies, products, and services exist. Facilities and equipment are in place. Capital has been invested and has to be serviced. People are employed and are in specific jobs, and so on. The administrative job of the manager is to optimize the yield from these resources.

This does not deprecate efficiency. Even the healthiest business, the business with the greatest effectiveness, can well die of poor efficiency. But even the most efficient business cannot survive, let alone succeed, if it is efficient in doing the wrong things, that is, if it lacks effectiveness. No amount of efficiency would have enabled the manufacturer of buggy whips to survive.

Effectiveness is the foundation of success--efficiency is a minimum condition for survival after success has been achieved. Efficiency is concerned with doing things right. Effectiveness is doing the right things.

### **INDIAN ETHOS IN MANAGEMENT**

Indian ethos for management means the applications of principles of management as revealed in our ancient wisdom brought forth in our sacred books like "Gita", "Upanishads", "Bible" and "Quran". Formally, the body of knowledge which derives its solutions from the rich and huge Indian system of ethics is known as Indian Ethos

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for Management. Management is behavioral science and it has to be culture specific. Indian ethos for Management has as its basis, the cultural base of India and as a country whose culture has its roots in religion - it does draw its lessons from the religions of the land - be it Hinduism, Buddhism, or any other. There are some basic ideas and thoughts revealed by our ancient scriptures which are applicable in today's management world.

## **DEFINITIONS**

“The characteristic spirit and beliefs of community or people which distinguishes one culture from the other”- Oxford Dictionary

### **Significance of Indian ethos in Management**

#### **1. Ethics in Functional Areas**

**Indian ethos places emphasis on ethics in all walks of life.**

Production – Focus on quality of the product

Marketing – Right product, price place and promotion

Finance \_ obtaining funds from right sources

Human Resources – Fair HR Policies

#### **2. Respect**

Indian ethos places emphasis on respect to self and respect to others. Therefore, managers need to have self respect and also respect to others. They must respect and view opinions of other managers and employees.

#### **3. Equity**

Indian ethos gives importance to the principle of equity. Manager should give fair and justice treatment to employees. Partialities and undue favours must be avoided.

#### **4. Authority and Responsibilities**

Managers are given authority or the power to take decisions. There must be a balance between authority and responsibility. Professional managers take responsibility for decision making.

#### **5. Team Spirit**

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Indian ethos encourages team spirit for the progress and happiness of all. Therefore, managers must encourage team spirit throughout the organization. It is the team spirit that results in loyalty, commitment and dedication of the employees.

**6. Discipline**

Indian ethos gives great importance to discipline in all walks of life. Therefore, managers in the organization must work with discipline. Discipline helps to improve the overall performance of the organization.

**7. Law of Giving and Receiving**

Indian ethos places emphasis on the law of giving and receiving to generate success and happiness of all. This law encourages managers to do good to the society which in turn will result in receiving back from the society.

**8. Law of Dharma**

Dharma is Sanskrit word which means 'purpose in life'. Professional managers follow the law of dharma. They come up with effective mission and vision statements. The management encourages all the members of the organization to put their best efforts to achieve mission or purpose of the organization.

**9. Law of Karma**

Indian scriptures place emphasis on the law of karma. The law of karma follows the phrase what you sow is what you reap. It reflects cause and effects relationship.

**SIGNIFICANCE OF KAUTILYA'S ARTHASHASTRA IN MANAGEMENT –  
CHANAKYA NITI**

Chanakya, also known as *Kautilya* or *Vishnugupta*, was the Prime Minister in the court of Chandragupta Maurya, the founder of the Mauryan empire. He was also a teacher, philosopher, and possibly the very first economist of India. He is also the author of Arthashastra, the ancient Sanskrit treatise on statecraft, military strategy, and economic policy. *Arthashastra* is considered to be a training manual transforming Chandragupta from a normal citizen into a monarch. Just like empires, many companies are built, and many close down with time.

The ancient wisdom of Chanakya is every bit relevant today as it was hundreds of years ago. We try and emulate the leading business leaders of the world today. However, the

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principles that we learn at leading Business Schools today were already being taught by the great Chanakya.

However, some companies create history. They last for ages and carve a unique identity for themselves. The secret behind their success is great leadership. Great business leaders strike the right balance between business foresight, character, and performance. Some of the management principles in Chanakya's Arthashastra may be up for study. However, the leadership lessons are relevant even today for business leaders running their business empires from their corporate offices.

### **Your People Come First**

Chanakya believed that a King should always put his subjects before himself. The common man creates the King. Hence, the very existence of a King depends upon the happiness and well-being of his subjects. Similarly, business leaders of today should put their people at the forefront and not themselves when making decisions. A good leader's top priority is his peers and subordinates. Every person matters in an organisation. No job is small or insignificant. These are basic principles that are taught in modern-day Business Schools, but Chanakya followed it back then. He was a man ahead of his time.

It is important to give due importance to every person in an organisation as the growth of the organisation depends on it. Very often, leaders get enamoured by their titles and privileges so much that they start ignoring their people. One of the keys to becoming a successful business leader is to put your people's needs before yourself. Remember, happy employees create happy customers.

### **People In Power Must Be Accessible**

It is not uncommon for a King to be surrounded by his ministers and noblemen. However, if he does not listen to and is not accessible to his subjects, he endangers not just his kingdom but also himself. Likewise, business leaders at the top of the hierarchy are often not accessible to the people at the bottom. It is a common complaint in today's corporate world that leaders do not listen to their people. They only listen to those higher up or equal in rank. Sometimes the best ideas come from the least expected places. Your employees are in direct contact with the customers and understand their needs and preferences much better than anyone else. Keeping communication open with your

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frontline employees may give you ideas that can take you way ahead of other competitors in the market.

What sets apart great business leaders from the rest is that they keep communication channels open-both horizontally and vertically. A good business leader values the importance of good communication and takes time to answer people's queries and explain their deliverables. It is important to bridge the distance between you and your people through better communication and sometimes direct contact.

**Hold People Accountable For their work**

Chanakya believed that rewarding those who are performing well motivates them to continue doing their best. It is important to hold people accountable for their work – both good and bad. The ones performing well must be encouraged and rewarded. The underperformers must be put on the spot. Rewarding your best performers motivates them to do even better. It also sets them up as an example that others would want to follow.

However, business leaders must be wary of overburdening the good performers. Often, good performers are given additional responsibility, whereas underperformers get by doing just the minimum. If you overburden your best performers, resentment is bound to creep in.

**Don't Delay Your Decisions – Do The Right Thing At The Right Time.**

Chanakya understood that a good King did his duties the right way and most importantly, at the right time. That is the only way that a King can expand his empire. After all, time and tide wait for no man. A good King understands the value of time. He understands that time, once lost, can never be gained back. A good business leader knows the importance of time management and how crucial it is to the success of an organisation. Delayed decision making can slow down organisational growth. When you do not solve problems on time, they often snowball into larger problems that are hard or cannot be solved.

Why does decision making take time in most organisations? One of the likely reasons is that key decisions are only made by the higher-ups creating a bottleneck. Outdated processes are another reason why decision making becomes slow. If the same problem

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crops up over and over, an effective leader will see to it that the process is, redesigned. Fast and effective decision making is the sign of a great leader.

Principles of Chanakya

1. Learn from the mistakes of others... you can't live long enough to make them all yourselves!!"

2)"A person should not be too honest. Straight trees are cut first and Honest people are screwed first."

3)"There is some self-interest behind every friendship. There are no friendship without self-interests. This is a bitter truth."

4)" Before you start some work, always ask yourself three questions - Why am I doing it, What the results might be and Will I be successful? Only when you think deeply and find satisfactory answers to these questions, go ahead."

5)"Once you start working on something, don't be afraid of failure and don't abandon it. People who work sincerely are the happiest

6) "A man is great by deeds, not by birth."

7) "Never make friends with people who are above or below you in status. Such friendships will never give you any happiness."

8) "Books are as useful to a stupid person as a mirror is useful to a blind person."

9) "Education is the Best Friend. An Educated Person is Respected Everywhere. Education beats Beauty and the Youth."

10. Success is no accident; it results from well-thought actions aligned with focused vision” Fearlessness, perseverance, and patience are the key attributes of any leader. This helps in setting lofty goals and fuels the determination to achieve them by executing against the well-laid-out plan. Another great quality exhibited by the leader is in spotting talents and grooming them to take bigger challenges

## **Unit II**

### **Planning and Decision Making**

#### **MEANING AND DEFINITIONS**

Meaning:-

The concept of planning is as old as history and has become very common in today's life. It is essential in every walk of life. It is not only important in human beings' life but also in business units' life. Its importance has grown up since the systematic study of management has been undertaken by the business. It is the most important aspect of every activity to complete it accurately and expertly.

Planning is deciding in advance what is to be done. It is the determination of a course and action for achieving a desired result. It is to look ahead and chart out the future course of actions. This is undertaken to identify the alternatives and select the best alternative from the available ones. It is also known as a blue-print of our actions. It is an intellectual process where the planner goes through certain steps and then comes to a perfect conclusion. That is what is planning. As per Fayol's opinion, it is action at once and at the same time the result envisaged. It is a future picture where proximate events are outlined with certain distinctness. Therefore, for the purpose of planning, one needs imagination, foresight, and sound judgment. Planning involves problem solving and decision making.

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Planning is the first function of management without planning no business unit can survive, stare or progress and it passion will be like a blind person who is searching something in the dark. Here planning helps to management to set the objectives, decides how to achieve it, and guide it to what exactly it has to accomplish and how best to go about it.

In short we can conclude that planning is nothing but deciding in advance what to do how to do when to do where to do with whom to do, what will be cost of it etc. in another word answering all W and H questions related to business activity for its successful completion is known as planning.

Definitions of planning:

“Planning is the process of setting goals and establishing methods or paths reaching them” **Gray and Smeltzer.**

“Planning is the selecting and relating of acts and the making and using of assumptions regarding the future in the visualisation and formulation of proposed activities believed necessary to achieved desired results”. **George R Terry.**

“Planning is deciding in the present what to do in the future. It is the process whereby companies reconcile their resources with their objectives and opportunities” **Philip Kotlar.**

From the above meaning and definitions, the following points emerge highlighting the nature of planning.

### **NATURE OR FEATURES OF PLANNING**

- 1. Planning is a process:** It is not a single activity; or one shot function. To perform, it needs lots of thing that means it involves so many sub activities with which it gets completed.
- 2. It is result oriented:** Planning has no meaning it there is no gain or result without result it becomes mental exercise.
- 3. It is intellectual process:** Because the quality of planning will be decided as well as it varies, according to the planners caliber or intellectual capacity

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- 4. Continuous:** Planning should be continuous. It should continuously collect, evaluate, and select data for scientific investigation and analysis of the possible alternative course of actions.
- 5. Planning is all pervasive:** It is prime function of management. It is concerned with all functions of management without plan no management function performed by any level of management. So it is all pervasive
- 6. It aims at co-ordination:** Because of planning all management function are co-ordinate and executed properly.
- 7. Elasticity of in planning:** The planning should be flexible. It should be changed as per the situation demands. If it is not, then that plan never became success.
- 8. Planning directs efficiency economy and accuracy:** A good plan always gives these three things with this a planner reconciles all companies research well, and it will be easy to complete the good.

## **IMPORTANCE OF PLANNING**

Planning is a systematic and orderly approach to the management. It is as a basic function of management, it has wide significance in management. This will be explained with the help of following points

- 1. Planning is a primary function:** It is primary function and management. Without planning there will be nothing to organize, direct, co-ordinate and control. All these functions are interrelated and independents so to have smooth function of all these is need of planning.
- 2. Pervasive:** Planning is all pervasive, it means it touches considers to all aspect of business. It is necessary at all levels of management , The only difference between top level management planning function lower level management planning function is that the earlier one is strategic planning in native and later are is operational planning.
- 3. Planning is intellectual process:** Planning is an intellectual process of decision making. It involves thinking capacity, foresight and vision for that one needs brain capacity. Planning cannot be done on the balls of guess or it not a work of common people those who are lacking vision forecasting, no thinking capacity.

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- 4. It is realistic and objectives oriented:** Planning is realistic it means it is based on facts & figures. If we put proper inputs then the result is ought to be planning is always directed at a particular object. If the objectives are attained then it will call planning otherwise it is not a planning.
- 5. Planning raises accuracy, economy and efficiency:** With the plan business can do activity more better, systematically and with a low defects. As it has been planned activity, all sub activities are in a particular order & sequences, therefore low wastages are incurred. Its benefits are there is increased efficiency and low cost of operation.
- 6. Planning is link between past-present-future:** While preparing plan, planner at first use to consider the past records its consequences, Then he thinks about the present position of the planning activity, and how it would be in future, in what way it will be considered in future are assured and accordingly planned. Therefore with the consideration of these the planning becomes perfect.

For the purpose of making a plan very successful & beneficial to the organisation planner should keep certain things in his mind while preparing plan. These things are known as essentials of good plan.

### **STEPS IN PLANNING PROCESS**

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Planning may be done at corporate level or at departmental level. It may be short term as well as long term. Whatever may be the nature of planning, it involves the following steps.

**1. Analysis of external environment:**

The manager must carefully analyze external environment as these environmental factors are not controllable. He has to see factors of external environment like social, economical, and political nature of competition exists in the region or country and accordingly prepare plan, policies or programmes as per the need of the business unit.

**2. Analysis of internal environment:**

Internal environment factors are residing within the business and are controllable. Here manager needs to adjust them as per plans policies

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programming and accordingly go for planning. Generally internal environmental factors consists of men machines materials, fiancé, methods of production know how etc.

**3. Establishing objectives:**

After having analyse the internal and external environmental forces, planner need to set objectives for entire enterprise and for each and every department objectives are the end paints, which shows what is to be achieved. These objectives are at the root of planning process course of action and shape the future policies while planning objectives are to be set in multiple objectives in different areas of the business.

**4. Determining the planning premises (forecasting):**

Planning premises are nothing but assumption and predictions about the future business situation. These premises supply relevant facts, information or data to business based on business use to lay down the specific course of action. Forecasting is an assessment of the future. It is systematic attempt to know probable events to provide against the future it works in relation to activities and working of an enterprise.

There are three types of premises do exist in business

- i) Controllable premises
- ii) Sem-controllable premises
- iii) Uncontrollable premises

**5. Determining alternatives plans:**

Here the planner must prepare and keep ready alternative plans, which are suitable for business under different situations. And the best one is to be used for actual execution. The preparation of alternatives plan is essential as one plan is not sufficient or adequate to business under different conditions. Therefore business unit prepare certain plans. Generally preparation of alternative plans is subject to the availability and collection of data i.e. primary and secondary data. It data is enough and good related to different business situation. Then more alternatives plans can be prepared

**6. Evaluating alternative plans:**

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After seeking out alternative courses and examining. Their strong and weak point, the next step is to weighing them in light of premises and goals. One alternative plan may appear to be most suitable and profitable but at the same time it may require home amounts of funds. Another one may require low funds but not profitable, and may have risk. Here proper evolution is to be done and then suitable plans need to be accepted.

**7. Selecting the best plan:**

It is the real point of decision-making. Once the evaluation is over the best & fittest plan is to be select. It is to be done in The light of objectives and planning premises.

**8. Preparing derivative plans:**

Derivative plans are related to different department plans and are supporting to main plan of the business. It is important to easy execution of the whole plan

**9. Formulating the plans:**

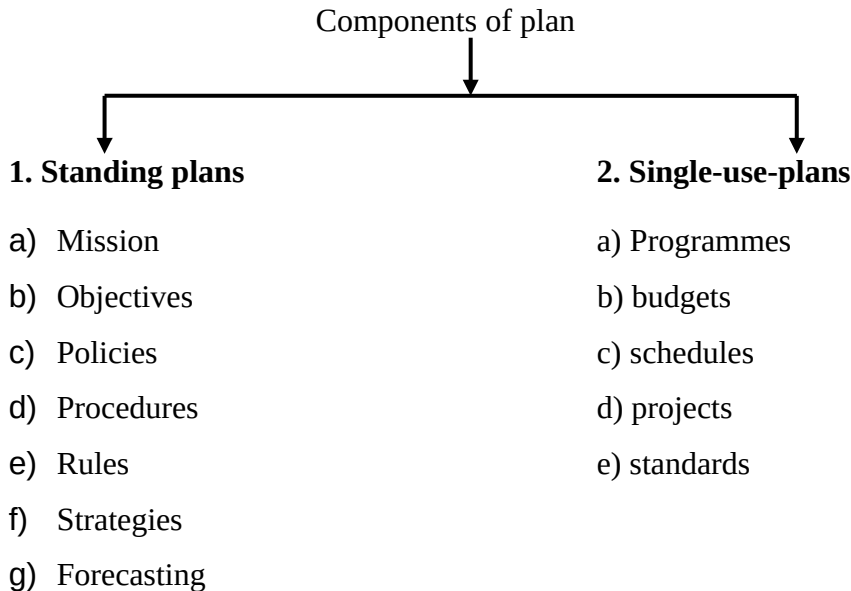
For implementation of plans managers have to perform managerial functions, like organising, directing and controlling. Proper duties & responsibilities are to be assigned to employees with proper communication & explanation of the plan. Then manager has to after follow-up. It gives periodical review of the execution process. It also helps to understand actual progress and deficiencies in the processed of execution of the plan. This also helps to adopt the suitable remedial measures as & when requited.

**COMPONENTS OF PLANNING**

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In the planning process, several plans are prepared. These plans are arranged in a hierarchy within the organisation. These are known as elements or components of planning and are classified into two board categories.

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**1. Standing Plans or Repeated-use plans:**

Standing plan is also known as one time plans once it is prepared then it will be used by business in future as & when it required. They are used over long period of time therefore it is known as long term plans. Components of standing plans are:

**a) Mission:**

Mission is the basic or fundamental reasons for the existence of an organisation. Every business must have definite mission to undertake and make organisation meaningful. Mission also points out beliefs and philosophy of the management. It gives long run commitment of the organisation.

**b) Objectives / goals:**

Objectives are end points of not only planning but also all functions of management. It provides basic foundation to built up plans. They help in achieving consistency in decision- making in the long run. They help in measuring the efficiency of the individuals working in the enterprise. They prevent the people from deviating from the positions they have set for them.

**c) Policies:**

Policy is verbal written or implied statements, which are followed

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as guide to action by managers and employees of an organisation policies guide managers and provide stability to an organisation. They are like well-prepared solutions to identical problems. Policies are intended to pre-decide the issue, avoid repeated analysis and give a unified structure to other types of plans. Policies define and delimit the area within which the subordinate managerial personnel can take decision, permitting them to exercise their judgment and initiative.

**d) Procedures:**

Procedures indicate the specific manner to handle a situation. It is closely related to policies and useful for conducting activities in a systematic manner.

It avoid the burden on lower staff as it lay downs of standard path to be followed to action rather than thinking. They detail the exact manner in which a certain activity must be accomplished its essence is chronological action required.

**e) Rules:**

It is the simplest and most specific type of standing plans. It guides what may or may not be done. A rule demands a specific action. It is more rigid than a policy rules which are pertaining to the administrative area of a procedure. Rules demand strict compliance.

**F) Strategies:**

The term strategy is basically used in military science and is an art of a military General leading on army strategy means a plan based on the anticipated moves of the opponent.

In corporate, strategy means preparation of a comprehensive plan, will enable company to meet any type of situation effectively. Here competitors plan are used as a background for preparation of a strategy. The strategy is necessary as future events in business are unpredictable strategies will help management to win the race in the competitive market.

**g) Forecasting:**

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A forecast is a prediction. It is the estimate of probable events. Forecasting does not involve decision making but helps in decision making by providing tips about what is likely to happen in future. In short forecasting is a systematic attempt to investigate the by inference from known facts.

**2. Single- Use-Plans (Non- repetitive plans):**

As its title suggest that it is prepared for a single activity. Once the activity get over plan becomes null & void. It cannot use for other activities. Therefore there are formulated to meet unique, novel and non-repetitive situations.

**a) Programmes:**

Programme is a sequence of activities designed to implement policies and accomplish objectives. The programmes may be minor. Generally programmes are a complex of goals, policies, procedures rules, steps to be taken resources to be employed and other necessary elements to carry out given course of action. Programmes are supported by budgets.

**b) Budget:**

Budget is estimation of expected income and expenditure. It may be for cash, revenue or capital expenditure. Budget provides a standard to the activity by setting a standard and in any variation. Then it will be checked. Therefore it is also known as planning instrument and controllable device.

**c) Schedule:**

Schedule is a time table of a work. It is a process of establishing sequence of work to be done schedule prescribes exact time require by a activity to complete and start it. Scheduling helps to honour delivery of goods. It helps to maintain inventory too.

**d) Projects:**

It is scheme for investing resources. It can be evaluation an independent unit. It is a work-plan established through scientific

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investigation and analysis.

**e) Standards:**

Standard is a criteria against which a programme is compared and evaluated. It is guide for performance evaluation. A company may set up variety of standards expressing the anticipated results of the plans. There are two types of standards known as

- i) Qualitative standards
- ii) Quantitative standards.

## **COORDINATION**

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.

Coordination implies synchronization of various efforts of different departments to reduce conflict. Multiple departments usually perform the work for which an organization exists.

### **Common definitions of the coordination function**

**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 hole to achieve the purpose of understanding.’

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**Features of Coordination:**

**1. Integration of group efforts and not individual effort:**

It involves the orderly arrangement of the activities of a group of people. However, individual performance is related to the group performance. Co-ordination makes the individual efforts integrated with the total process.

**2. Co-ordination is the concerted efforts of requisite quality and quantity given at the proper time:**

In other words, co-ordination denotes co-operation i.e. collective efforts, plus time element and direction element. According to Haimann : “Co-ordination is the orderly synchronization of efforts of the subordinates to provide the proper amount, timing and quality of execution so that their unified efforts lead to the stated objective, namely the common purpose of the enterprise.”

**3. Co-ordination is a continuous and dynamic process:**

It is a continuous concept in the sense that it is achieved through the performance of functions. And it is dynamic in nature because the functions themselves are dynamic and may change over the period of time.

**4. Co-ordination has three important elements, namely, balancing, timing and integrating:**

Co-ordination of different activities becomes possible only when different duties are performed in the right time and in the right quantity.

As for example, if the purchase department of an enterprise buys the required raw material in right time and in right quantity and supplies them to the production department, the production department produces the commodities in right time and in proper quantity; and the sales department of the enterprise can execute the order placed by a customer within the specified time.

**5. The task of co-ordination and co-operation do not mean the same thing:**

Cooperation simply means that two or more persons are associated voluntarily in the performance of some work through collective efforts. But it has no bearing with time,

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amount and direction-dimensions in group efforts. In contrast, co-ordination implies application of requisite amount of group efforts in the right time at the right direction through deliberate executive action.

**6. Co-ordination is the responsibility of every manager:**

Co-ordination is the responsibility of every manager in the organisation, because he tries to synchronize the efforts of his subordinates with others.

**7. Co-ordination may be internal or external:**

Co-ordination, as a blending factor of all activities and efforts, is to be exercised both within and outside the enterprise. That is to say, co-ordination may be internal and external. Internal co-ordination means the co-ordination of activities between the employees, between the departments and managers at different levels inside the enterprise.

Outside the enterprise, the work of co-ordination is extended to bring about a harmonious relationship with the activities of the competitors, suppliers and customers; the technological and technical advances of the time, the regulatory measures of the government, the national and inter-national inter-dependence as well as with the wishes and wants, likes and dislikes of the consumers, employees and owners.

**8. Co-ordination may be horizontal and vertical:**

Horizontal co-ordination refers to co-ordination between the horizontal departments of the same level in the managerial hierarchy. For example, co-ordination is necessary between the sales manager, works manager, finance manager and the buyer, so that when the sales department is ready to sell the new product, the production department will be in a position to fill the orders; and the financial arrangements have been made so that the necessary funds are available to have the suitable raw material and other factors.

**Importance of Coordination**

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**1. Co-ordination is necessary to ensure harmonious and smooth working of an enterprise with its several departments, divisions or subdivisions:**

For example, to ensure harmonious functioning of an organisation, it is essential that the functions of purchasing, production and sales departments are co-ordinated. If the sales manager procures a huge order to be executed within a specified time, without reference to the production manager and the purchasing manager, it may turn out that the goods cannot be produced in quantities ordered within the specified time.

Therefore, the inter-relationship among the functioning of purchase department, production department and sales department demands the establishment of co-ordination.

According to Henry Fayol – **“to co-ordinate is to harmonies all the activities of a concern to facilitate its working and its success.”**

**2. Co-ordination ensures unity in direction in the midst of diversified activities:**

By bringing together the different divisions and parts into oneness of the enterprise, co-ordination enables the management authority to see the enterprise as one unified whole from its different segments. So, co-ordination is necessary to link the functions of different departments, divisions, sections and the like together and assure their contribution to total result.

**3. Co-ordination removes the conflict between personal interest of the employees and general interest of the organization:**

Individuals join the organisation to fulfill their needs. Many times, these needs may be different from the group needs and goals. In such situations, organisational and individual goals are not fully achieved. More the number of individuals in an organisation, the higher will be the degree of such incompatibility.

It is essential for the organisational efficiency that both these goals are brought to a level of conformity and the managers tries to integrate the individual and group goals through co-ordination.

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**4. Co-ordination can produce something greater out of the collective efforts of the individuals:**

Properly co-ordinated group efforts achieve a greater result than what is possible from the isolated efforts of the individuals.

**5. Co-ordination provides a balance between the people of different capacities and abilities:**

It compensates the shortcomings of one by the strength of the other.

**6. Co-ordination reconciles the impact of internal and external forces in the organisation and ensures smooth running of affairs:**

Internally, it combines the various resources of the business—money, materials, machinery and methods—for the attainment of common goals of the organisation. Externally, the environment is made more favourable to the business by giving due consideration to customers, employees, financiers and the government. In this manner, co-ordination helps in producing better results and becomes the essence of management.

**7. Co-ordination ensures voluntary co-operation of the different members of the group:**

Besides simplification of the organisation process, co-ordination harmonizes and integrates the different programmes and policies of the business. Well-planned methods of co-ordination not only strengthen supervision but ensures voluntary co-operation of the different members of the group.

**8. Co-ordination is a basic element in all effective organisations and is said to be the first principle in organization:**

It makes planning more purposeful, organisation more well-knit and control more regulated.

**MANAGEMENT BY OBJECTIVES (MBO)**

**CONCEPT OF MBO:**

Management by Objective term is developed by peter Drucker in

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the year 1954 in the “The practice of management”. The concept of MBO is very closely connected with the planning. It is dynamic system of management. Its core meaning is working together, with each other’s involvement and attaining the pre-decided goal by superior and subordinate. This type of work is needed as to integrate the individual’s needs and organisational needs. MBO insists to the manager to be very clear about his objectives before he starts a task if he is not sure about the task to be attain, and then there would not success of MBO. Its process starts from Top level management and passed on to middle and down level of managements.

In short whole idea of MBO is based on the assumptions that collaboratively set objectives elicit subordinates commitment, which leads to improved or increased performance. In other word it is establishment of goals by managers and their subordinates and assigning authority for achieving the goals with constant performance monitoring

**Definitions:**

1. MBO is regarded “ As a system for improving performance both the individual managers and enterprises as a whole by setting of objectives at the corporate, department and individual manager’s level.

Peter ducker.

2. “MBO is a result-centred, non-specialist, operational managerial process for the effective utilization of material, physical and human resources of the organisation by integrating the individual with the organisation and the organisation with the environment.”

Prof. S. K. Chakravarty.

**STEPS IN MBO / PROCESS OF MBO:**

MBO as a process it consists of certain steps which are as follows.

**1. Setting of organisational goal:**

In the process of MBO, the first step is to set up the organizational goals which need to be verifiable; this is generally decided by top management with the consultation of other managers. The goals should be set up in “Key-Result areas” (KRA) in a clearly defined manner and it should be made known to each & every member those who one involved

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in the process. Here the term “Key-Result-Area” means which are considered critical to the firm’s long term success. These areas also affects on business survival & growth too. For example, reducing wastages of raw material by certain percentages (say 4%) leads to its survival, or increasing production by certain % age. Generally key areas are included profitability, market standing, productivity Financial & physical resources, managers & worker’s performances and innovations research & development.

2. Matching goals & resources:

Management should think of about the resources available and the goals to be accomplished and according the allocation of resources is to be made. For example it he goal has set in production area then, the resources like raw material, should be of quality and in adequate quality, here management responsibility is to see whether this is available with the organisation then set goals. In the some way it should happen with tools equipments and machinery.

3. Manager – sub ordinate involvement:

The success of MBO is depend upon the involvement of managers and subordinates in the chosen task. It both are loyal toward their authority and responsibility. The task will complete without any hurdles.

4. Developing action plan:

After objectives are set, action plans must be developed. Action plans focus on the methods or activities required or necessary to reach objectives. In other word it suggest that how, when, What, Where and with whom the task is to be complete. It also focuses on production planning and control.

5. Establishing check up plains / standards of performance:

In the process of MBO, periodic meetings between managers and subordinates are required to review the progress for accomplishing the organisation goal. In this case superior use to establish certain paints to check subordinate’s performance These paints are defined quantitatively.

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6. Implementation of plan:

After developing action plan and establishing check up points, the task is to undertake, or start implementing while working on whenever subordinate felt/faces difficulties, they can seek guidance or clarification on particular points from the superior.

7. Periodic Review of progress:

The superior must make a periodic review of the progress in achieving subordinate's objectives and as & when needed guide them so that the whole work can move smoothly & smoothly.

8. Feedback:

Feedback is last but not least important stage in MBO. Here superior gives comments on sub-ordinates performance based on their evaluation. Sometimes the superior use to make changes in MBO programme with consultation of top management.

**ADVANTAGES OF MBO:**

MBO's core concept is to together, Share responsibility and accomplish the organizational goal. It is also known management by task. While implementing it in the organization it gives benefits to organisation, and employees. This will be made clear with the help of following points.

**1. Participation and collaboration:**

In MBO, The departmental objectives are consistent with organizational objectives. Here every participant by clarifying, his role and responsibility, and knowing his contribution needed by business, participate and involved in the process. There is no need that superior keep on insisting the employee to do the work. That is way is beneficial of organisation.

**2. Better management of Resources:**

MBO is important as in MBO resources are put in such a way that they give good results.

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**3. MBO is result-oriental approach:**

It is important because practically it is result oriental. It does not favour management by crisis. Here individual and common goals are developed and executed well.

**4. Definite and clear goals:**

In MBO, the goals are clearly defined and they are veritable and measurable. General they focus on problematic areas.

**5. Higher productivity:**

MBO leads to higher productivity because it always concentrates on the important task of increasing productivity, decreasing costs and minimising wastages.

**6. Personal leadership:**

MBO is important because in this process the individual leadership is developing to a large extent. Every individual has given freedom to think express, and work on. Here conceptual skill is also developed among the subordinates.

**7. Efficient Communication:**

In the process of MBO frequent interaction between superior and subordinates work place this leads to mutual faith and understanding between them.

**8. Performance appraisal:**

MBO provides objectives yardsticks for evaluation of performance. In addition superior use to have periodic review of subordinates performance. This enables the subordinate to know how well they are doing.

**MANAGEMENT INFORMATION SYSTEM**

Meaning:

Information is the life blood of an enterprise. The information can

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be defined as the knowledge communicated by the others or obtain from investigation or study. The seniors firms need to have up to date knowledge about customers, dealers, suppliers, investors and other as well as it should have updated information about political, economic, social, technological and legal changes. This information is requires to take timely decisions. The flow of information is made regular by information system, commonly known as management information system (MIS).

**Kennevans defines MIS** as “An enterprise method of providing, past, present and projected information relating to internal operations and external intelligence.

**H. Weihrich and H. Koontz** defines MIS as a formal system of gathering, integrating, comparing and centralizing and dispersing information internal and external to the enterprise in a timely effective and efficient manner.

Thus MIS can be the defined as the system providing needed informative to each manager at the right time, in the right form and relevant form one which aids his understanding and stimulates his action.

### **Features:**

Some of the features of MIS are as under-

**1. Systematic process:** MIS involves a systematic process of gathering, integrating comparing and centralizing information for effective decision making. It is a process of:-

- Data collection about interval.
- Classification of data into different categories.
- Integrating or combining data
- Comparing data
- Analysing the data
- Transmitting the data

**2. MIS is a continuous process.**

**3. Scope of MIS:** - The scope of MIS includes: -

- Decision support system.
- Human Resource Management.

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- Enterprise resource planning.
- Enterprise performance management.
- Supply chain management.
- Customer relationship management.
- Project management.
- Data retrieval applications.

**4. Computer Based System:**

**5.** MIS is a computer based system. It uses computers for storing entraliz and supply information. It also uses microfilms for storing information. Unified and centralized system:

MIS involves data collection processing storing and transmission. All these activities must be integrated into a unified system. The unified system must be managed at a centralized place.

**6. Used by all levels:**

MIS is used by all three levels of management. i.e. top, middle, and lower. It is used for making business plans, policies and strategies. It also helps to solve business related problems and to take advantage of business opportunities.

**7. Professional Approach:**

In MIS, data must be collected analysed classified combined/compared and transmitted to managers by well educated, qualified and trained staff. The managers and MIS staff must be well trained and are enable to take various decisions relating to production finance, marketing and human resources.

**8. Components of MIS:** - It includes: -

1. Hardware.
2. Software.
3. Procedures (Rules or guidelines for the use of MIS).
4. Personnel (Expert people).
5. Data (Information for decision making).

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**9. MIS is the future oriented:**

It provides information for solving future problems.

**10. MIS Helps in decision making:**

MIS supplies up to data and accurate information. It helps managers to take quick and right decisions.

**ADVANTAGES OF MIS**

1. Decision making.
2. Identifies strength and weakness.
3. Identification of opportunities and threats.
4. Facilitates planning and control.
5. Helps to recognise trends.
6. Integration of information.
7. Optimum use of resources.
8. Accomplishment of an organizational objective.

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**MANAGEMENT BY EXCEPTION**

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**Meaning:**

Management by exception is a management style that where managers only intervene when employees fails to meet their standards of performance.

Management by exception is a management technique by which manager focus only on activities which deviate significantly from standards. Management by exception is one important and useful principle of managerial control. This principle is based on well accepted practical belief that an attempt to control everything result in controlling nothing. Management by exception is a policy by which management devotes it's time to inverting ling only those situations in which actual results is different significantly from planned result.

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According to the principle of management by exception, only exceptional deviations from the standards decided should be brought to the notice of the higher level management. as long as actual performance is within the acceptable range of deviation from the standards decided, it need not be reported to higher level management for follow-up action as such action is not necessary. However, if the deviation is major as compared to be standards set. It should be brought to the notice of the higher level management for suitable remedial measures.

The concept of management by exception is used in large number of production units and organizations and is proved more practical and result orientated. It is also used in the financial department of the organization. The basic purpose of management by exception concept is to refer only most serious deviation to the level management to find out remedial measures towards the serious deviations. Thus the concept of management by exception on implies that top management should concentrate its attention, time, and effort on critical deviation only. The other deviation should be handled by lower level of management.

**Advantages/Benefits of Management By Exception:**

1. Management by exception is focus as productive work. Managers can focus as policy matters rather than focusing on the routine daily work.
2. Management by exception saves the time of managers as they have to deal only with exceptional matters, rather routine matters.
3. The basic advantage of management exception is that it enables the managers to use their talent and skills and attention to solve the major problems or serious problems rather than normal problems or routine problems.
4. Management by exception facilitates delegation of authority within the organization. Top management concentrates on strategic decision and delegates certain authority to middle and lower level management to take certain operational decisions.
5. Management by exception helps to motivate the employees to perform their activities in a best possible manner to fulfill the organizational objectives.

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6. Optimum use of resources: - Management by exception enables the organization to use the available resource the in the best possible manner because all the employees of the organization are highly motivated to perform their responsibilities is a best possible manner to reduce the defects and also minimize the wastages.

7. Management by exception enables the firm to take a competitive advantage because management by exception enables the employees to take more interest and initiative in performing their activities. The employees come up with the innovative ideas to develop new products, new processes, new schemes with minimizing the risks and wastage.

8. Management by objective enables a firm to achieve higher performance. The employees of the organization work with the zeal and interest and trying to produce the defect free products or schemes. This facilitates to improve the image of the firm in the minds of the stakeholders. Thus management by exception enables the firm to build up corporate image.

9. Management by exception enables the firm to achieve the growth and expansion of the business

## **DECISION MAKING**

### **INTRODUCTION**

Decision Making is very important aspect of business management; rather it is important in human beings life. It is needed every walk of the individual as well as corporate life. It is sold that no business can survive without decision-marking. Further it is started that a manager's life is filled with making decisions and decisions. Therefore in every business managers are always wasted or spending their more time on this activity. It is integral part of management. Without decision no planning, no controlling, no coordinating or no organising and no directing. It works at all levels of management in a continued manner. Managers, without of making decisions, they are unable to lank means and ends, it means they can't accomplish their objectives well. Therefore every manager or anyone who is involved in this process has to take certain decisions.

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**MEANING AND DEFINITION OF DECISION-MAKING**

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Decision making is nothing but choosing a course of action from several alternative courses of action. The word decision is derived from the Latin word 'deciso', which means cutting away or cutting off or in a practical sense to come to conclusion. In fact it is a process of selecting course of action which needs to take in other word it is part of planning. So it is called a step in planning. A decision is something that takes place before the actual performance of a course of action that has been chosen.

**As per Peter Druckers** opinion decision means "whatever a manager does" because he does through making decisions. It is a course of action which is consciously chosen for achieving a desired result or goal. It relates to the end or means or both. For example in some cases end may be given and the manager has to decide. It considers all functions of management. Therefore it is stated that no business can survive without effective decision making.

Definitions:

- 1) **As per Haynes and Massie's opinion**, "A decision is a course of action which is consciously chosen for achieving a desired result".
  - 2) **The oxford dictionary defines the term decision making as**, " The action of carrying out or carrying into effect,"
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**ESSENTIALS OF SOUND DECISION-MAKING**

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While taking decisions the manager needs to be conscious alert about some aspect of decisions. With the consideration of it if it is taken then the decision becomes more reliable or perfect. The following points should be considered as essentials of decision making

**1. Availability of alternatives:**

For perfect decision there is need of availability of various alternatives. If it is then decision maker can choose the right, which is

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very much suitable and beneficial in given situation. If it happens then that decision will be more effective

**2. Diagnosing the problem:**

It is in other word, indentifying and defining the problem. If the proper identification and its diagnosis have done, then manager can take a better decision. Like a health doctor, before treatment use to diagnose the disease and then give medicine to patient.

**3. Rationality:**

Decision making is manager's central job. His ability and capacity is judged on the basis of the quality of the decision he has taken. So whenever he takes decision that time he should have to be rational. Rational means by knowing all pros and cons of the situation as well as the means and ends, the decision is to be taken.

**4. Use Communication:**

The taken decision should be communicated, that too, on time, to the concerned parties so that it would be executed well by them. If it happens then only that decision can stood as a best decision, otherwise its effect will be lower, or sometime no effect.

**5. Use of creativity and consider new sources of information:**

Decisions are mostly based on the information required on the specific problem. If relevant information is gathered accurately by using new means, or sources of information, sources, with newly developed technologies then it will be more reliant information and the decision based on it would be perfect decision. While taking decisions it should be logically suiting to the arisen situation and should to some other relevant activity, it should be in different way.

**6 Integration of interest:**

In the organisation, two types of interests are existing. One is personal interest and second is organizational interest. Manager, while taking decisions gives priority to organisation interest as computer to

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personal interest. Then definitely that decision becomes more effective, and beneficial to organisation.

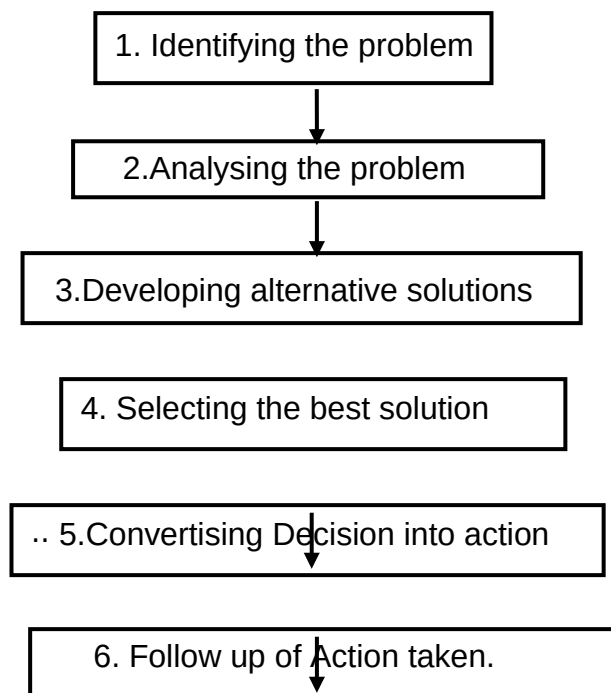
7. Stress on feedback:

Feedback is a process of telling manager that how you feel about the decision taken by managers. If feedback is good then manager feels somehow it is against or negative then it may lead to chances confusion and resentment.

**STEPS / PROCESS OF DECISION MAKING**

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Decision making is very important aspect of management. It is said that manager takes many decisions in a day. Some are routine and some are very crucial. So while taking such decisions he needs to be very cautious and alert so that he can take perfect decision which will be helpful and beneficial to the organisation. While taking perfect or rational decision maker should go through the following steps



1. Identifying and defining the problem:

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The decisions are taken only when there is problem difficulty or undesirable situation. So the decision maker should understand that what is exact problem and where and what he want to do something good or better, so that business activity can run softly and smoothly and there will be favourable atmosphere (environment) to the business when he does so then it is known as identification of the problem for example if the business sales is declining day by day, then managers needs to identify why the sales is declining. Whether is because of non quality product, on efficiency of sales force or lack of promotion.

Defining problem is a later step. After identifying manager should have defined, the problem it means he has to go up to the root cause of the problem. For example if sales is declined by inefficiency of the sales force the way sales force are in efficient what are reasons for etc.

## 2. Analysing the problem:

After proper diagnosing or identifying and defining the problem, the next step comes, is analyzing the problem. Analysing means considering problems depth, sort out of various aspect of the problems like who will take decisions regarding different aspects of the problem, who is suppose to inform about its decision, what would be the scope of decision taken and its impact, and how it help to achieve over all organizational goal, etc, All these parts are to examine minutely and according get ready to have a fruitful decision, this is known as analysis of the problem. The analysis will be made on the basis of collecting relevant data, that too reliable, true data, which will help to conclude the solution of the problem this data gives clarity to the problems solution.

## 3. Developing alternative Solution:

Here the decision maker first specify the objectives that are to be achieved and based on it, he has to develop alternative solutions.

Developing or generating alternative solution means find different way to solve the problem and finally picking up the best solution for implementation for example suppose there is declining in organisational sales. Now this could be because of either lower quality of a product, higher price, lack of warranty lacking in promotional activity of may be due to inefficiency of the intermediaries Now here to increase sales manager must see all These aspects and according he has to do some

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select one beneficial in every area and boost the sale of the company.

**4. Convertising Decision into Action:**

After developing and selecting the best alternative solution, the next step is to convert the selected decision into an effective action. Here the manager has to convert or put his skilled leadership and his loyal subordinates. If it happen then only there is use of that decision otherwise it may remain as a simple academic exercise.

**5. Follow up of Action Taken:**

It is last but not least important step in decision making. It's simple meaning is to see that whatever is decided, is implemented and the objectives are achieved what activities were decided are taken are justifying through their result or not. Here for this purpose manager need to set up or establish a feedback chain, and continuously, be informed, and whenever and where ever there is need according take corrective steps so that the taken decision will execute well.

**TECHNIQUES OF DECISION- MAKING**

The techniques of decision making are classified into two broad categories

A) Traditional techniques and

B) Modern Techniques

**A) Traditional techniques:**

Traditional techniques are also known as non- programmed decision techniques. In other word these techniques are not based on adequate and reliable information, There is no structured format or predetermined guide lines to take decision. These decision are of complex nature and requires unusual solutions. Here creativity past & experience is a vital ingredient in successful decision making.

Following are same techniques

- i) Creativity techniques
- ii) Quality listing techniques
- iii) Brain storming techniques
- iv) Delphi techniques

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v) Nominal group techniques

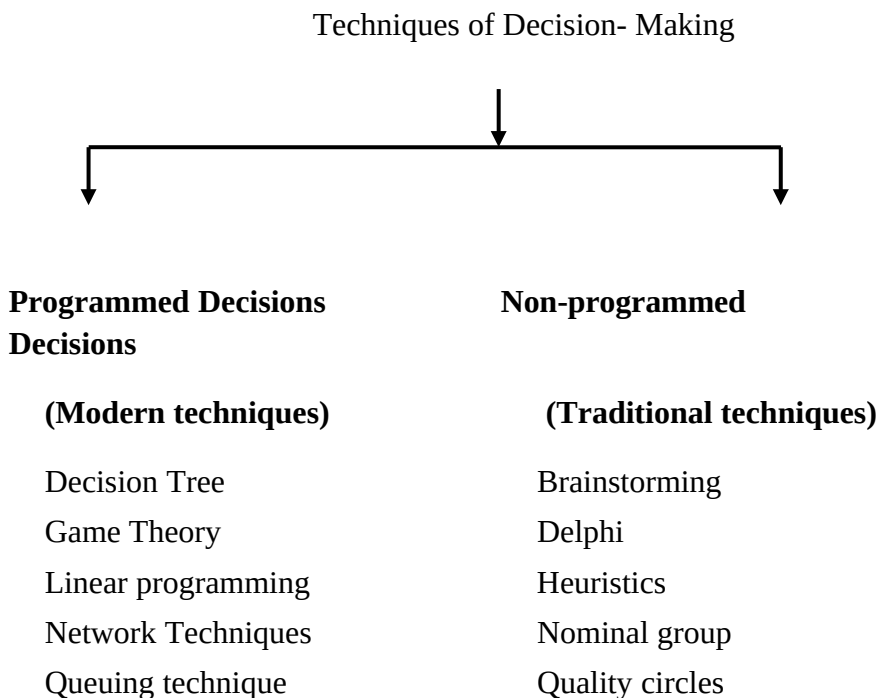
**B) Modern techniques:**

Modern techniques are on routine, repetitive and are of complex nature. These decisions are made with the reference to a predetermined set of procedures, rules, and guidelines.

These decisions are more precise, accurate, reliable and scientific. These decision help to manager in the basic tool used is mathematical modeling these techniques are also known as operation Research”, and includes following techniques

- 1) Linear programming
- 2) Probability decision theory
- 3) Pay off matrix
- 4) Decision tree etc

The above noted two types of techniques of decision making are shown as under and explained:



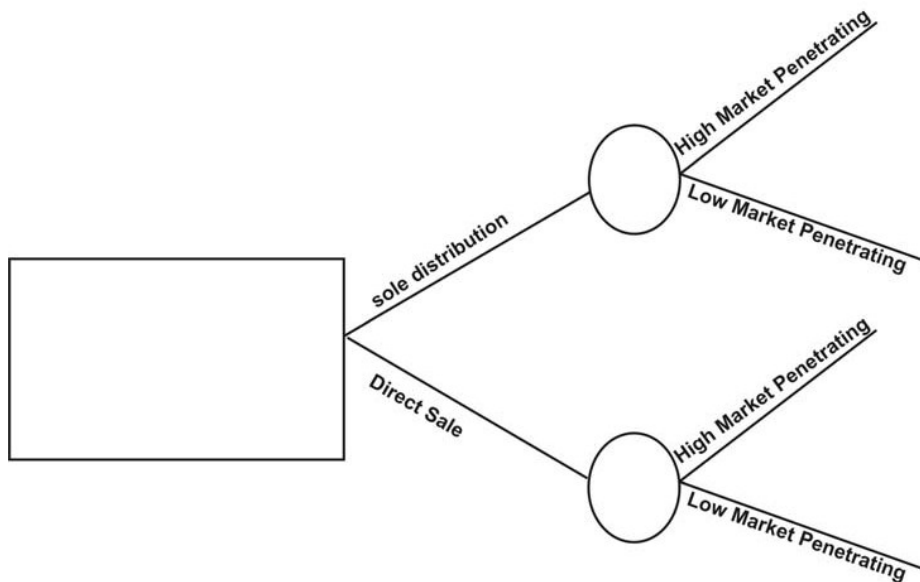
**A. Programmed Decisions (Modern Technique)**

**1. Decision tree:**

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Decision tree is a diagrammatic or graphical representation of the decision-making problem. It displays the information at a glance in a more easily understandable way. This diagram indicates the number of future chance events which affects decision-making. The value of the events arrived at for predicted outcomes of each possible decision and the decision which has highest value graphical devices are based on course of action available to him. It is being mathematical tool; it enables manager to take decision tree as it shaped in tree form this tree is in horizontal instead of vertical form.

Suppose a company wants to sell its product in the market. Then it has two alternative options available one is by appointing sole selling agents and second is by undertaking direct sale of the product in the market in this situation every option every option has high or low market penetration and market share. Here the selection of the best option will be on the basis of its desired results. This will be made clear with the help of following diagram



Here every option has its value. If sole selling options has high value 06. & low value 0.4 then its total will be 88.0. it is arrived by multiplying by 100%.

Then in case of direct sale the market penetration value is 0.8 at Rs 60 & low market penetrate value is 0.4 Rs 50 so here its pay off value is 68.0

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**1. Game Theory:**

It is a mathematical theory that deals with the general features of competitive situation. Generally there are two types of factors residing during of competitive situation known as zero sum game and non zero sum games. This emphasis on decision making process of the adversaries. It is like placing strategies and counter strategies so that eventually winning strategy is decided.

**2. Linear Programming:**

This also mathematical technique of determining the best combination of limited resources with quantified and measured set of objectives of the business e.g. while allocating jobs to limited machineries. Here every job has varied time to be ready. So manager use to use the machineries as per the job time requirement i.e. less time requirement job will be take up fine and so on and good combination of attainment of objects as well as machineries.

**3. Queuing Theory (Waiting line):**

This technique is useful for determining the optimum number of services facilities booking big lone on cash counter in the bank etc. Here in this case the problem is in balancing services and cost incurred in regards.

For example if banks open a new counter for remittance of money, here by open a new counter how much benefit the bank has, is to seen. If the expenses new counters are more then it the services gives benefit then it is not advisable to open new counter.

**4. Network Technique:**

These techniques is used for project planning and control that too of a complex nature and involving considerable time and cast. Here the sequence of activities is arranged in such a way. The cost & time will be minister and the project will complete in time or before time PERT AND CPM are two important techniques used in this methods.

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**A. Non-Programmed Decision (Traditional techniques):**

These techniques are on novel and non-repetitive problems. There problems are more complicated & challenging and needs to be taken urgently in these technique something different is done There is creativity and original thinking is required. So here managers' needs to be open minded. These techniques are generally used by top level management. These techniques includes

**1. Brain Storming Techniques:**

Brain storming techniques was developed by Alex F. Osborn. Under this technique, a group of persons/managers is given complicated problem and they are asked and encouraged to suggest whatever solutions come to their mind Again there will be discussion on the given solution hill The very fair idea / solutions gain. In brain storming criticism is not allowed, but peoples/ managers are allowed & ask to generate as much as solutions they can do.

- a. The brain storming technique encourages to the group members to think independently on the complex problems and give creative solutions. For purposeful brain storming session, attention should be given to the following points:
- b. Encouragement to group member for suggesting new ideas / solutions.
- c. Critic on solution is to be avoided.
- d. Stress should be given on quality or uniqueness of ideas.
- e. The Final idea should be accepted by all members.

**2. Delphi Technique:**

This technique is similar to brain storming technique. Here difference is the members are not having face to face communication. They are residing at different places and connected with the help of Internet, video conferencing etc. The information will be collected in the form of responses to the questionnaires. This has set to each member for reaction and reassessment. This process will continue till the new solution emerges.

**3. Heuristic Techniques:**

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This is trial and error technique of decision making. Here certain rules of thumb (Heuristic) are developed to take decision. It is used only when the problem under consideration is complex and adequate information is not available. The environment for rational decision making is extremely uncertain and may prove wrong in future. For example consumer durable companies sell on installment basis on the assumption that people can regularly pay in installments rather than in lump-sum at one time. However it is not a scientific technique of decision making. So it is used rarely in decision making process.

**4. Nominal Group Technique (NGT):**

This is another technique of decision making with the help of group members. Here in the group one person is acting as a group leader and he explains the problem to the group members. Then each group member writes his/her ideas or solution independently and present it to all. In addition to this there will be group discussion. The purpose of this technique is to give more chance to member to think independently and contribute in decision making. The interaction between group members will take place only after ideas are presented. So every group member has given chance of creative ideas and then these creative ideas are integrated.

**5. Quality Circle:**

This concept is popularised by Dr. Ishikawa Kaoru in early 1960's in Japan. Quality circle is a small group of employees from the same department. The group members are meeting regularly for the purpose of identifying, analysing and solving work related problems. These members gave suggestions to management to improve the efficiency or to give solution to the problems. Therefore it is known as democratic and progressive decision making techniques.

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**Unit III**

**Organising**

**MEANING AND DEFINITION OF ORGANIZATION**

**Meaning:**

The term “organization” is derived from the word “organism” which means arranging the ways and means for execution of a business plan. To conduct any activity-business or non-business there is need for an organization if there is no organization; it is not possible to conduct activities. It is a internal process of management organization is the structure where all people work collectively in order to achieving certain objectives.

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It is a second step of management. After planning manager focus on the arrangement of organizing resources. An organization Deals with number of internal part which define relationship between the number of a group the continuity and success of management depends upon strong organization only.

Definitions:

**F. kart and S Rosenweing** defines organization as a structure “organization structure is the established pattern relationship among the components or part of an organization.”

**Louis Allen** defines organization as “the process of identifying and grouping of the work to be performed defining and delegating authority and responsibility and establishing a pattern of relationship for the purpose of enabling people to work most effectively together in accomplishing objects”.

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## **ORGANIZATION STRUCTURE**

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Meaning of organization structure:

Organisation structure refers to a pattern of relationships among individuals and departments in an organization.

**F. Kast and s Rosenweing define** “Structure is the established pattern of relationship among the components or part of an organization”.

## **STEPS OF ORGANIZING**

1. **Defining organisational models:-** Every organisation must have specific and realistic goals. Top management sets overall organisational goals. Middle management sets departmental objectives. Lower management sets targets for day to day operations.
2. **Identifying activities to achieve goals:-** The management lists out various activities to achieve goals. Activities:- Quality control, Research

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& Development and promotion. Example:- Objective to increase sales.  
Activities:- Promotion, Advertising, Improvement in quality of product

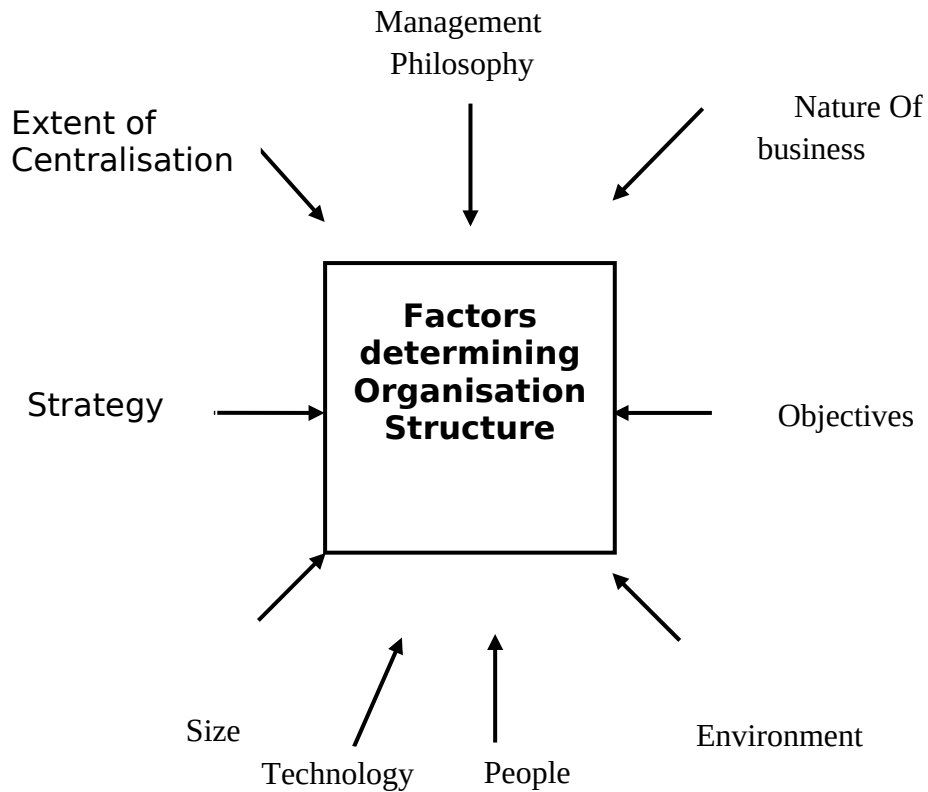
3. **Grouping of Activities:-** related activities must be grouped into departments or sections to get the benefits of specialization. Example:- all marketing activities, such as marketing research, advertising can be grouped under marketing department.
4. **Making Arrangement of Resources:-** It is necessary to make proper arrangement of resources to conduct the activities smoothly. The resources include:- Human resources, Financial resources and Physical resources. Example:- Objective is to increase the profit. Activities:- To innovate new product to undertake research and development. Arrangement:- Human resources to conduct R&D, Financial resources to innovate new products.
5. **Defining Authority:-** The managers must define authority relating to various activities. Authority is the power to take the right decisions. Authority defined in terms of:- what, whom, how much to delegate.
6. **Delegating Authority:-** Authority must be delegated to the right manager or subordinates without authority it would be difficult for the managers to direct and get the work done.
7. **Establishing superior subordinate relationship:-** Managers will establish the relationship between different departments, between three levels and between superior-subordinate. This facilitates smooth performance of the organisation.
8. **Provision of Coordination:-** Coordination means interlinking of actions. There must be provision for co-ordination. The superior coordinate the work of individual in the department. The work of individual in the department is linked with other person in the department. The work of each department is also linked with other department to accomplish organisational goals.

**FACTORS DETERMINING ORGANIZATION STRUCTURE:**

Organization structure divided into two parts, viz. formal and informal organization. Every business organization helps the management in achieving the business goals and objectives. The factors determining the organization structure have explained with the help of

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following chart:



### 1. Management philosophy:

Management philosophy directly affects the organization structure. Every organization structure broadly depends on the management philosophy. Small scale organizations some of the line organization structure. The work by levels of management. Top level to lower level in the other hand large scale organizations follows by decentralized organization structure the carry the business activities with principle of delegation of Authority,

### 2. Nature of business:

Business organization divided into number into number of parts, nature of business directly influence / affected organisation structure. A large scale business organisation followed by the staff of matrix organisation. A small size business organization followed by line organization. So the nature of business directly define the structure of organization

### 3. Goal's- / common objectives:

Every organization exists to achieve certain goal's The overall goal's of the organization are decided by top level management. All the

business organization set their own goals if the goal's are limited the management may adopt line organization structure so goals play an important role is defining organizational structure.

#### **4. Environment:**

Every organization depends on the internal as well as external factor of environment. Some of the small organization which manufacturing & producing routine products may be less affected by the environmental factors but large organization followed by decentralized structure they larg on followed by decentralized structure they largely depends on the external environment factor.

#### **5. People:**

The people is one of the most important factor in the business organization all the business activities done through people. The larger number of individual & group develop the structure of organization e.g. line, line & staff or, matrix organization structure. So it is important factor to determining internal organizational structure.

#### **6. Technology:**

The business firms must constantly monitor changes in the technology, it may have an impact. This is because impact a change in technology may have an impact on form business through the research and development the organization come with new method, new machines and technologies. This can be effectively used for business activities technological factor play an important role in developing line staff & matrix organization structure

#### **7. Size:**

The organization structure depends on the size of the organization generally larger size of organization, their level of management more & large number of departments & units therefore, in large organization, line & staff or matrix structure can be followed in other hand small organization follow line organization structure.

#### **8. Strategy/ planning:**

It is a plan of business firms to achieve certain aims & objectives. In large firm top level manager formulate specific plans & policies to

obtain the objectives of organization strategy internal part of management. It would works on organizational tasks & choice of technology these factors mostly use in the planning process to determining organizational structure strategy use to find out strength & weaknesses of the organization.

#### **9. Extent of centralization:**

Organization of structure divided into two parts such as centralised & decentralised structure when the organization is more centralised it may follow line organization structure in other hands. If the organization is more decentralised then they follow line & staff organization structure most of the large scale firms are decentralised structure.

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## **TYPES OF ORGANIZATIONS**

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The many types of organization are observed. However the right type of organization is selected after taking into account the size of undertaking kind and need. So many changes are observed in organization structure in modern days. In addition the basic concept of organization is seen changed very much according to the situation. The organisation structure can be classified in to following types

1. Formal and informal organization
2. Line organization
3. Line and staff organization
4. Matrix organization
5. Virtual organization

#### **1. Formal and informal organization:**

In any set-up the existence of relationship, which may be formal or informal or both. The same concept applies also to the classification of organization and accordingly organization may be formal organization and informal organization. The formal organization is official form where as informal organizations are unofficial and operate along with the formal organization.

#### **A. Formal organization:**

**Meaning:**

If the management has created a big industrial organization inspired with a particular objective then all the activities in that formal organization are run with the help of inspiration of that particular objective. According to Chester Barnard “An organization is formal, when two or more persons are consciously co-ordinate toward a common objective.

Features:

The features of formal organizations are as follows.

- i) All the policies and objectives in this organization are pre determined
- ii) The rights, duties of every one are properly defined and therefore every one can make their work maximum efficient separately due to it.
- iii) The place of a person in the organization is fixed and clear indications are given regarding which how much, in what way and the work has to be performed by each employee
- iv) The mutual relations among the employee in the organization are clearly indicated regarding which responsible to whom who has to report to whom and who is eligible to order whom.
- v) Each one is related with his present work, which is related with the ultimate objective of the business. The employee can't interfere in other matters leaving their own work in it
- vi) The organization has its own set of rules and regulations. These rules are to be followed by the people working in the organization.

**B. INFORMAL ORGANIZATION:****Meaning:**

Informal organization structure refers the pattern of activities, interactions and human relationships developed spontaneously due to social & psychological force operating at the work place. All these employees are not bounded by any rules or policies in it according to Keith Davis “Informal organization is a network of personal and social relations not established or required by the formal organization but

arising spontaneously as people associate with one another”

Features:

The features of Informal organization are as follows

- i) Informal organization is self-inspired and voluntarily created
- ii) There is good communication system in this organization for the purpose of inspiring human power
- iii) Such type of organizations fulfill the social need satisfactorily
- iv) It exists within a formal organization and reflects human relationships
- v) It brings people together to realize common interests, however its membership is voluntary
- vi) There are no questions of granting authority and no need for a system of co-ordination.

### III) Formal v/s informal organizations

<b>Point</b>	<b>Formal Organization</b>	<b>Informal Organization</b>
i) meaning :-	It is a planned structure in which works rights duties and responsibilities are	It is an organization created with self inspiration and voluntarily
ii) objective :-	It exists to achieve well defined and particular objectives	The main purpose is to develop personal and social relations.
iii) Motivation:-	Economic motivation such as promotions, increase in wages etc	Fulfillment of social and personnel needs and acquiring self satisfaction.

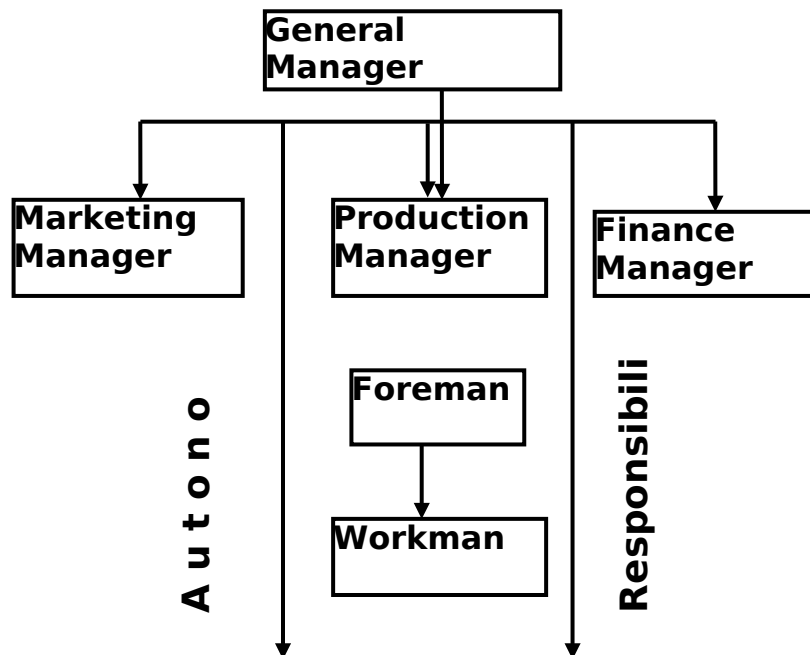
iv) Relationship :-	The superior-sub-ordinate relationship is clearly defined and exist	The wuperior sub-ordinate relationship is absent
v) Responsibility:-	There is a balance between authority and responsibility	There is no responsibility in this form.
vi) communication :-	The communication is normally through formal channels of communication	The communication is normally through grapevine form of communication.
vii) stability :-	Formal organization is a stable type of organisation Structure	There is no stability to informal organizations.
viii) Reward and punishment	It is in the form of monetary and non-monetary, where as punishment is for breaking rules.	Reward is continuation of group membership whereas punishment may be removed from the group.
Ix) Termination:-	It may be terminated by organizational process	It is difficult to terminate by the organizational process of when relationships becomes sour

## 1. LINE ORGANISATION:

### Meaning:

Line organization is simplest & oldest form of organization. It is also called as military scalar organization or vertical organization structure there is direct flow of authority from top level in the organization. All the major decision taken by the top management & then process pass order to their subordinates, the subordinates in the turn

directly responsible to the manager this type of structure is application / suitable in any in small scale organizations. The following diagram indicates line organization.



- Feature of line organization

**a. Direct flow of authority:**

There is direct downward flow of authority form top level to lower levels in this type of organization all authority and order send by top level manager to lower levels sub ordinates so it is called direct flow of authority all the organization decision taken by top level manager and sub-ordinate in turn are directly responsible to the superior every small scale organization follow the structure of line organization

**b. Clear responsibility:**

In line organization every manager is responsible about business board of directors pass responsibility to general manager than after general manager pass to another different heads of manager and finally authority and responsibility passed to general sub ordinate. They are responsible for scheduling work the top management has the responsibility to train and motivate each and every sub ordinate.

**c. Unity command:**

In line organization follow the principle of unity of command very effectively. A sub ordinate should received order from only one superior. In turn sub ordinate should report to any one superior. The principle provides proper guideline to manager and sub ordinate. It enables to improve the superior and subordinate relationship.

**d. Suitability:**

The line organization is suitable to small scale organization. The structure of line organization is small because production capacity is low as compare to sharply conduct of large organization. Manager sharply conducts ass activities in organization. They easily send authority to subordinate.

**e. Co-ordination:**

It refers to integration of activities or actions of the sub ordinates by superior there is need for co-ordination in the line organization co-ordination is basic responsibility of the manager. The top level manager are responsible to co-ordinate the activities of sub ordinate. It is small organization so manager easily conducts all the activities.

**f. Relationship:**

In line organization there is a chain of relationships among different part of department. There is a need for relationship between superior and sub ordinates various level affect relationship to improve the corporate image and growth of organization. It plays great role in raising moral of sub ordinate successful organization largely depends on the superior/subordinates relationship

**g. Growth and expansion:**

Lien organization is restricted in its growth and expansion. This is because of limitation of capacitor, lack of managerial skill of adoption and traditional approach that are necessary for the expanding line organization manager find difficulty in expansive and growth because of limited organization structure.

**h. Decision making:**

Quick decision making is possible, however, the quality of

decision without consulting others in the line organization, manager gives clear authority to delegate work, sometime there is often delay in decision making but line quality of decision making is superior.

**i. High employee Moral:**

Line organization increase moral among the staff. This because of good Relationship between superior and subordinates sometime subordinates carry the business activities in trust of superior it enables raising moral of the subordinates and they work effectively.

## **2. LINE AND STAFF ORGANIZATION:**

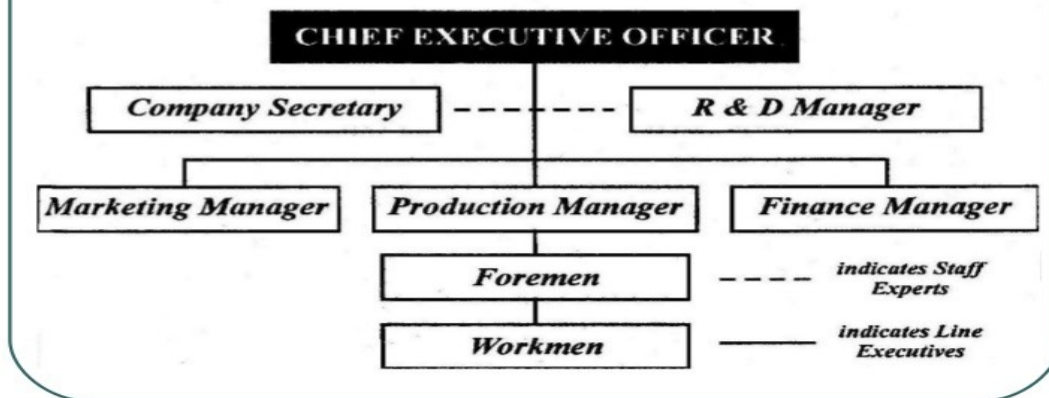
**Meaning:**

Line & staff organization is a combination of two systems in order to avoid the defects & to achieve the common organizational objectives this type of organization structure is suitable to large scale organizations. The line Managers takes the decision on the advice or Recommendation of the staff officer.

**Definition:**

According to Louis Allen “line refers to those position elements of the organization which have responsibility & authority & are account able for accomplishment of primary objectives staff elements are those which have responsibility & authority for providing advice & service to the line in attainment of objectives.”

## Line and Staff Structure



Features:

**a. Systematic planning and control:**

Line and staff organisation structure is applicable only to the large scale firms. The staff experts are planning activities. They set up plan and policies for the organisation . the implementation of that's plans and policies systematically the line manager effective control over the plans and policies when the plans are well defined & clear it would be easy to organize resources and to take proper control by line manager.

**b. Sound decision making (quality decision):**

It is a sound decision making organisation. This is because of line manager take a quality decision after receiving opinion and view from staff specialist. The specialist staff provides accurate information about feature problem. In quality decision making they use democratic method.

**c. Suitability:**

Line & staff organisation structure is suitable to large scale firms. In large firm there production capacity is higher. This type of organisation line executive are The decision makers he takes the positive decision where as the staff are members are planning the activity it is useful in expanding the business.

**d. Specialization / scope for specialization:**

This type of organisation specialize in nature the staff concentrates on formulation of plan & also play the role of advisors the line manager focus on taking decision & implementation of plans & policies. It is a combination of two structure of organisation play significant role in the development of large scale organisation.

**e. Authority & Responsibility:**

In this type of organisation follow the principle of authority & Responsibility. The line Manager has to follow the principle significant. The staff officers are planning the activities and delegation of work is given to line manager here line manager get clear Responsibility about the work so both organisation follow this principle.

**f. Possibility of conflict's:**

Conflicts between staff & line manager are quite common in this organisation the line managers are not responsible to the advice offered by staff experts. Secondary aware that line managers lack knowledge of new view & ideas. This leads to rise in the problem of the conflicts.

**g. Overdependence of staff:**

In line & staff organisation line manager largely depends on the staff expert. The staff focuses on the Research & planning elements of business activities. They play important role in formulation of plans & policies of business sometimes line manager depends of staff experts for minor problem of business so dependery of line managers arises, it creates conflicts in organisation.

**h. Crisis management:**

The line & staff organisation play significant role in crises management both organisation handle the crisis situation effectively. The staff officers providing proper & valuable advice to line manager to solve these crises. Then line manager take appropriate decision in solving this situation. In this way both organisation manager difficult situation in the organisation.

**i. Confusion:**

This type of organisation line & staff conflicts is common due to

lack of communication between both the line & staff organisation. They both do not follow the principle of authority & Responsibility. There is a possibility of confusion in the organisation, confusion arises due to line manager overdependence on staff experts & staff provides increases incorrect advice to the line manager.

### 3. Matrix Organisation

Meaning:

The concept of matrix organisation was first introduced in 1960 in aerospace industry in USA. This form of structure combines the functional organisation with that project organisation. This project can also call as Multi-project organisation.

<b>Depts</b>	<b>Dept. A Manager</b>	<b>Dept. B Manager</b>	<b>Dept. C Manager</b>	<b>Dept. D Manager</b>
<b>Project A Manager</b>				
<b>Project B Manager</b>				
<b>Project C Manager</b>				
<b>Project D Manager</b>				
<b>Project E Manager</b>				

When there are several projects to be completed. Then the project manager takes the help of staff to complete the project. The employee Received order from both managers & similarly they have report functional as well as project Manager.

Definition:

**According to Kenneth Knight**, “matrix organisation is a balanced compromise between departmentation on the basis of functions & departmentation on the basis of specific product to be completed”.

**Features :**

**a. Hybrid / Compromise Structure:**

In this type of organisation combined between functional organisation & project organisation. Both organizations work in the single organisation is known as matrix organisation. The goals & objectives both organisation are equal they help to each other for achieving common target.

**b. Responsibility / Role of project managers:**

Project manager play effective role in conduct the administrative tasks project manager has a responsibility to co- ordinate the activity of functional department & also other activities. Related to project they set up/ prepare schedule of project work. He has Authority to central administrative aspects of the project.

**c. Responsibility/Role of Functional Managers:**

Functional manager has a Responsibility to control functional aspects of the project they play significant role in technical part of the project & they given responsibility to handle the entire matrix organisation. They set up time table of sub ordinate to project work.

**d. Suitability:**

Matrix is a complex organisation but is suitable to large scale business organisation of the in this type of organisation attempts to solve complex problems With high quality solutions it is mostly used for large construction project that construct server building in different areas different constructive side managed by different project manager with the support of functional department.

**e. Specialisation:**

Matrix organisation facilitates specialisation. The functional heads / manager focus on the technical parts of the project where as the projects manager focus on all the administrative tactic / aspect of the project both organisation specialize in our area & play significant role in department of matrix organization.

**f. Development skill:**

In the matrix organisation employee develop their skill & knowledge proper training of managers & sub ordinates is essential for

effective working of matrix organisation the process of job rotation facilitates self development both the managers play important role in proper training to employee.

**g. Problem of unity of command:**

Internal operations under matrix organisation are difficult & complicated this is due to rules & procedures are not followed uniformly in all departments employees received order from functional heads as well as project manager This leads to increase problem of unity of command in organisation.

**h. Need of effective communication:**

The matrix organisation uses two or more co-existing structure in this organisation need of effective communication for development of organizational structure effective communication between manager to sub ordinates leads to increase proper work in firms.

**i. Inter-departmental co-operation:**

Due to vertical & horizontal communication the project manager co-operate many inter department aspect of a particular project this co-operation leads to effective control over operation.

#### **4. VIRTUAL ORGANIZATION:**

Meaning of virtual organisation is a temporary alliance between two or more organisations that come together to active specific objectives. The participant's in virtual organisation are inter dependence to each other in this type at organisation participant's may changing day by day, It can be composed differently every day.

It is a project organisation formed for particular project, it gets winding up once the target active. It may remain functional as long as consumer demand exists their collaborative beneficial.

**Definition :**

Virtual organisation refers to a new organizational form characterized by a temporary or permanent collection.

Features of virtual organization:

**a. No separate entity:**

Participating organisations haven't clear rules contrasting to traditional organisation. It will have neither central officer nor organizational chart that is dependent on information communication and technology.

**b. Interdependence:**

Virtual organisation is mostly interdependence in nature it is a temporary alliance between two or more organisation that are come together to achieve a specific objective the participants in virtual organisation are interdependence to each other making it possible to deliver a product collaboratively all the alliance partners used combining working method for proper development of organisation.

**c. Temporary in nature:**

Virtual organisation is generally temporary in nature it is a project organisation formed for particular project organisation formed for particular project it gets winding up once the target achieve. It may remain functional as long as consumer demand exists their collaborative beneficial limited duration required to virtual organisation for complication of project so. This organization always temporary in nature.

**d. Information & communication technology :**

Virtual organisation is largely depends on the ICT for developing & diversification of organisation informational networks will provide for flunged companies to link up work together from start to finish it is possible to communication within few seconds an world wide net so, it is covered geographical border easily.

**e. Changing participants :**

In this type of organisation participants may changing day by day it can be composed differently every day one day a some organisation

may be a part of a network formulating virtual organisation along with others networks the following day virtual organisation could be composed of other organisation.

**f. Excellence :**

In the virtual organisation each partner brings its core competence to the joint efforts this facilities increase efficiency in the organisation virtual organisation can provide excellence performance in a particular project or product every feature & process or the product may be world class something that no single company could probably achieve its generates team work in organisation.

**g. Trust & Respect :**

Mutual trust & respect play important role in development of virtual organisation all the partners need to have complaint trust each other of the same time the alliance member must respect to everyone expansion & modification of virtual organisation largely depends on the trust of the members to each other.

Challenges of vertical teams:

**a. Challenges of diverse technological skills :**

Virtual organisation is often associated with such terms as virtual teams vertical teams face several challenges it explain with the help of fallowing points.

**b. Challenges of Diverse Technological Skills:**

It is a one of the most important challenges faced by virtual teams. Diverse technological skills unable increases conflict among the team a member that is virtual teams primary fours in improve team work in the organisation proper training develop trust & team work unable virtual organisation achieve the goals & targets. It may be great impact on expansion & modification of organisation.

**c. Challenges of leadership :**

Leadership play significant role in development of the virtual

organisation it is alliance of two or more teams so here appropriate leadership can result in the failure of virtual team the leadership problem arises due to lack of communication therefore team members focus on exception were & co- ordination away the team members it may solve the problem of leadership.

**d. Challengers of communication:**

The members of virtual team may not be located in one country however they can discuss each other through medium of information technology devices such communication always quick but in case poor communication among the team of organisation so it is biggest challenges that any virtual team face proper communication easily solve this challenges.

**e. Challenges of incompetent team member :**

It is a alliance of two or more team so here the experienced team member are important factor on successful organisation project are more time in fail due to lack of co- ordination among member & incomplete knowledge about the project it may negative effect on the other team maintain proper team weak maintain proper team weak are important challenge of virtual team.

**f. Challenges of developing Trust:**

Trust and mutual understanding are two basic requirements of successful functioning of virtual team's absence of co-ordination with the team affect the speed and orderly execution of the project very team primary focus on to build trust among the team members. Trust unable Reduce conflict among the teams so it is important challenge of the virtual teams.

**g. Challenges of decision – making:**

Every virtual team can take strategic decision and plan for business expansion activities based on project because of proper decision making. When it is difficult to build trust and to manage conflict when team member take poor decision so, decision making by virtual teams can be a great challenge for its members.

**h. Challenges of time zones:**

The members of virtual team communicate through portable communication tools including video conferencing meetings are arranged quick if the need arises however there are different time zones it becomes difficult co-ordinate and to hold virtual meeting. Therefore it directly impacts on the work a project time zones are great challenges of virtual teams.

## **DEPARTMENTATION**

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Meaning of Departmentation:

Departmentation is a systematic process of dividing an organisation into smaller units called departments. It includes grouping of activities, tables and process and resources. Departmentation is useful in all type of business organisation. It creates principle of division of work.

Definition of departmentation :

**According to Jamed & Stoner**, “Departmentation is the grouping of functions so that similar & logical related activities occur together”

**According to Pearce & Robinson**, “Departmentation is the grouping of Jobs, Process & resources into logical units to perform some organisational task”

**According to Koontz and O'Donnell**, “A department is a distinct area, division or branch of an enterprise over which a manager has authority for the performance of specified activities.”

It can be defined "as the process by which activities or functions of enterprise are grouped homogeneously into different groups."

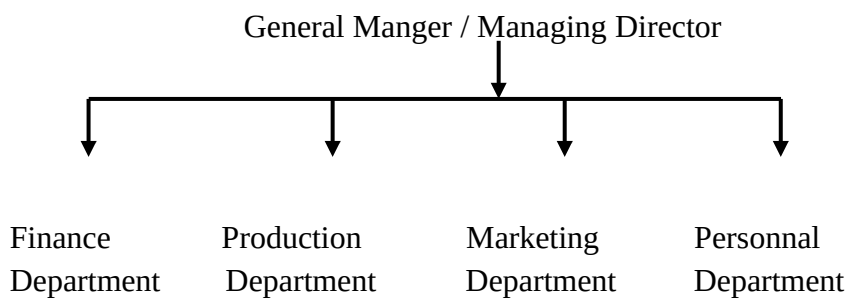
### **BASES OF DEPARTMENTATION:**

Departmentation play important role in the development of business organisation. Such bases include function performed development of area production patter number of customers & time activities.

The bases of departmentation are shown with the following chart.

**1. Departmentation by Functions:**

It is the most common means of departmentation function plays the significant role in sub units of departments such as finance, production , marketing person etc. this is shown in the following taste

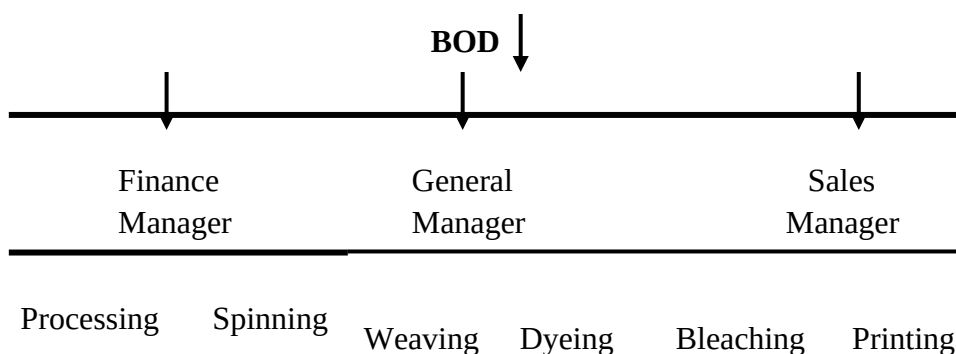


**Benefits of departmentation by function:**

- It is a logical method
- Facilities effective control & co-ordination
- It Facilitates optimum utilization of resources

**2. Departmentation by process:**

In this type the organisation is divided basic of the process of manufacturing units. For example of textile mill the process can be spinning, weaving, dyeing, bleaching & printing.





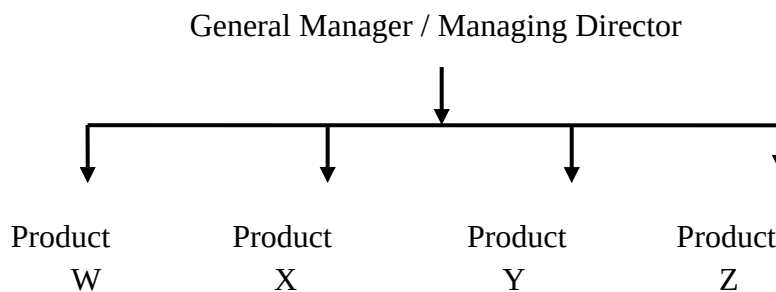
Merits / Benefits of Departmentation by process:

- 1) It is easy & suitable process for manufacturing products.
- 2) It enables maximum utilization of resource
- 3) It requires costly equipments but give more benefits in manufacturing products.

### 3. Departmentation by product:

The most of the multinational companies or large industries dealing with the number of products time or types of brands. Departmentation largely depends on the types of products of brands.

In this type of organisation different manage work on different product the entire manager getting responsibility on the kind of product.



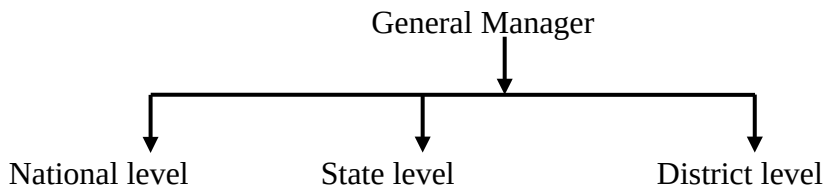
### **Merits / Benefits of departmentation by product :**

- 1) It can generate competition between the firms brands
- 2) It enables organisation get maximum profit
- 3) Encourages companies corporate image

### 4. Departmentation by / Geographical area / Location:

This is the most important method undertaken by the departmentation in this method business activities covered by geographical areas.

In India government banking sector has number of departments such as national bank, state bank, district bank, schedule bank & so on . This is shown in the following chart:

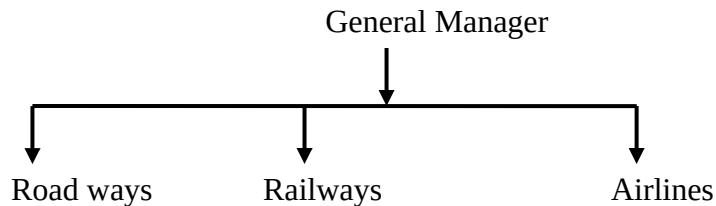


Merits & benefits are:

- 1) It improves standard of living of people
- 2) Development of bank word areas & also expansion of business to various part of the nation.

**5. Departmentaion by Customer:**

All types of department directly & indirectly depends upon the nature of customer for instant a cloths product supplying firm may divided the organisation all the bans.

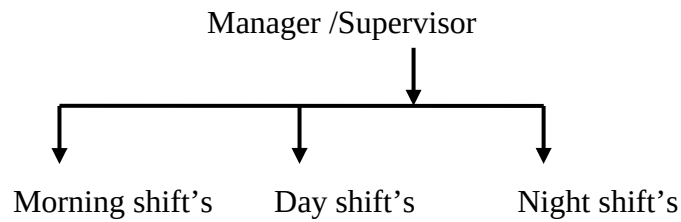


Benefits are:

- 1) It helps organisation to earn maximum profits & improve corporate image
- 2) Customer get maximum satisfaction

**6. Departmentation by Time :**

Most of the private sector department use this means of departmentation. It includes financial institution, educational institution, hotels etc. in this means Nature of work depends on the clock or specific Time . Every organisation set up particular time on the work.



## 7. Departmentation by Task Force:

In this means of departmentation involves the assigning of a project to a specific team of subordinate. The group of subordinate is known as Task Force. Each task has its own leader.

Advantages of Departmentation :

### 1. Division of work:

Division and specialization of work resulting in increasing overall efficiency.

### 2. Co-ordination:

Autonomy to departments for raising efficiency supplemented by co-ordination among different departments.

### 3. Responsibility:

Targets can be assigned to departments and fixation of responsibility on departmental heads.

### 4. Management Development:

It leads to management development as executives can have self development

### 5. Resources utilization:

Departmentation ensures optimum utilisation of resources.

Limitations of Departmentation :

### 1. Costly:

Departmentation is costly as it raises the administrative and operative cost of the organisation. This is due to duplication of work,

equipment facilities and staff.

**2. Co-ordination and control difficulties:**

Departmentation creates a new problem of establishing effective co-ordination and control over the departments created , which affects overall efficiency of organisation.

**3. The autonomy given to departments may prove to be dangerous.**

## **MEANING AND FEATURES OF SPAN OF CONTROL**

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Meaning of Span of Control:

Span of control refers to the numbers of subordinates that can be supervised or managed effectively. Sir Ian Hamilton introduces the concept of span of control. Later on it was popularised by V.A Graicunas & Lyndall Urwick.

It is a universal process in this process number of subordinate managed by single person is known as span of control. Here number of subordinate should not be too large or too small. If the number of subordinate is too large, person cannot supervise effectively and is unable to lose control on the subordinate. If the number of subordinate is too small, it results in strict control on the members and is unable to reduce efficiency of the subordinate (worker).

Features:

Features of Span of Control:-

**1. Global Application: Universal applicable:**

The principle of span of control has global application. This principle is applicable to all types of organisations. It plays a significant role in countries developing conditions. Span of control enables an increase in the efficiency of the manager and worker.

**2. All pervasive - / Applicable to all:**

It is applicable to public sector organisation as well as to private sector organisation. In the different field of organisation commonly use the principle of span of control so it is important principle of management.

### **3. Important Principle of Organising :**

Span of control play the important role in organising this principle provides appropriate information about how to supervise / manage the number of subordinate in particular time. It plays great role in lever of management top level to lower level of management. Effective span of control enable raising moral of the management to subordinate.

### **4. Applicable at all levels of Management:**

The principle of span of control applicable at all levels of management. It is applicable at top level, middle level and lower level. The member of top level depends on middle level & vice versa. So the principle of span of control more effective in all level of management.

### **5. Applicable to any size of business:**

The principle of span of control is applicable to sole trader to Joint Stock Company. It's directly affected the any size of organisation. For e.g. A smaller organisation employing about so needs to have various section & each section follow the concept of span of control also a large organisation employing over a thousand of employees needs to adopt the concept of span of control for effective of span of control of the business.

### **6. Time Tested Principle:**

The principle of span of control is time tested all the business & non business organisations have used the principle of management. It includes educational institution, hospitals, hotels etc. in this Means nature of work depends on the specific Time.

#### **Advantages of Span of Control:**

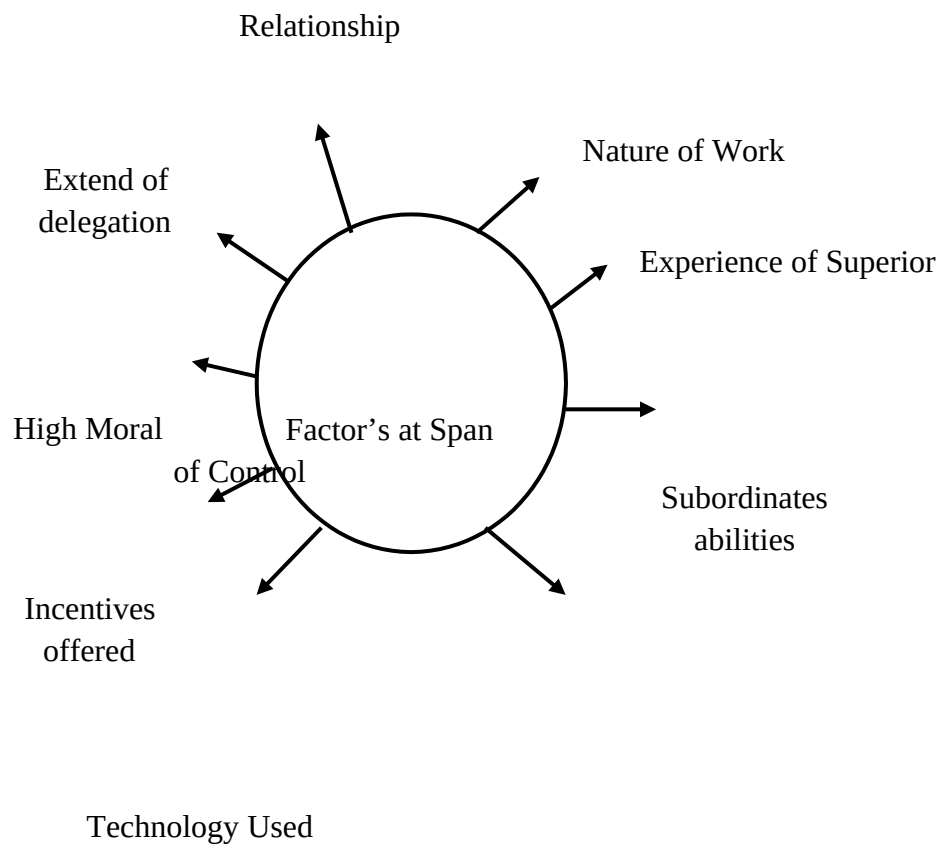
The concept of span of control play curtail significant role in organisation. Some of the benefits are as follow:

- 1) Improvement in superior – subordinate relationship
- 2) Optimum utilization of resources.

- 3) Improvement of goodwill and reputation of organisation
- 4) Reduce absentecism
- 5) Property motivated employee
- 6) Development of leadership ability

**FACTOR’S OF SPAN OF CONTROL**

The factor of span of control play significant role in developing principal of span of control process. Some factors affected directly and some are indirectly. We can understand with the help of following diagram.



### 1. Nature of Work:

Nature of work divided into two parts such as routine repetitive nature & complex nature. If the work is of routine & repetitive nature, the span of control may be more. Other hand, work performed by subordinates is of complex nature, there should be fewer subordinates. So routine method directly affected the principle of span of control.

### 2 Experience & Capacity of Superior:

Normally, more the experiences of the superior, the more is the span of control. If the manager is capable & experienced, he easily handles the number of subordinates. He gives respect from subordinates & also improves the standard of living of subordinates. Thus, the span of control depends on the experience & capacity of the superior.

### 3. Subordinated abilities:

The span of control depends on the ability of subordinates. It includes nature & experiences of subordinates. If the subordinates are well trained & experienced, they require less time for supervision & therefore the superior can have more span of control. Experience of subordinates enables to increase the efficiency of the worker.

### 4 Training and Faith on subordinates:

Trained subordinates can do the work quickly. Ultimately, the span of control is more proper training. Trained subordinates

work is proper position right time if the manager has faith and trust in subordinates the span can be wider if the positive relationship between manager to subordinates enable the span of control can be made wider.

#### 5 Use of Communication Technology:

It is one of the most important factors to determine the principle of span of control. Electronic devices & equipments help in increasing the span of management. Managers use proper electronic devices in daily work to ultimately subordinates can do work effectively in organisation.

#### 6 Incentives offered:

Incentives is a prime factor to determine span of control. If the manager offered good incentives of control more number of subordinates similarly due to the incentives offered. The subordinates are easily motivated & increasing working habits of employees.

#### 7 High Moral:

Proper working condition & incentives offered enable raising moral of the subordinate. Managers always focus on the expectation of the subordinate to increase the working habits of employees.

#### 8 Effective delegation of Authority:

When a manager delegates clear specific and adequate authority to his subordinates it becomes possible to increase span of control.

#### 9 Relationship:

If the direct relationship between manager and subordinate the manager may be in position to supervise and control number of subordinates. However if the inverse relationship between manager and subordinate the span of control is low.

## **DELEGATION**

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### **MEANING AND DEFINITION OF DELEGATION:**

Meaning:

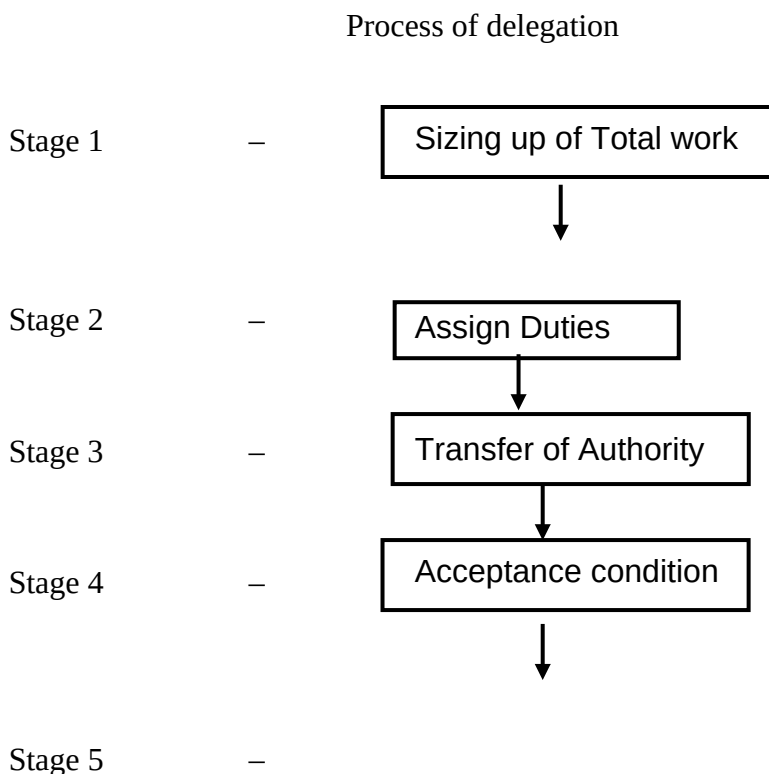
Delegation of authority is one of vital organizational process, it is a process by which a superior transfer's authority to his sub ordinate. Delegation means assigning of certain responsibilities along with the necessary authority by a superior to his sub ordinate manager. It is a universal process applicable to all.

Definition:

1. According to F.C. Moore "Delegation means assigning work to the other & giving them authority to do so."
2. John Pearce & Richard Robinson define delegation of authority as "A process by which a manager assigns tasks & authority to subordinates who accept responsibility for those jobs."

### **PROCESS OF DELEGATION:**

There are five stages in the delegation process. This steps shows with the help of following chart



## Creation of Responsibility

### Stage 1 – Sizing up of Total work:

It is a first & important stage in process of delegation every manager must see the sizing up of work, then he decides how to manage & divided working in subordinates when a total work is more the need for delegation arises every manager focus in the nature of total work.

### Stage 2 - Assigning duties:

Before delegation superior must identify the work or activity. The manager must select right subordinate to delegate the activity this is responsibility of the manager to find out right

subordinate. The manager must communicate clearly & discuss the duties at subordinate & also given proper guidelines about the nature of work assigning duties enable increasing moral of the subordinate in relation to work.

### Stage 3 – Transfer of Authority:

In the third stage manager must be transfer authority to the subordinate appropriate authority enable subordinate take right decision in any time. It enable delegation of work effectively limited authority will bring about only limited performance so the manager always focus on the transfer of authority to right subordinate.

### Stage 4 – Acceptance / Rejection of Delegation:

In this Fourth stage the subordinate has to follow acceptance or rejection of delegation of authority when the subordinate rejects the authority. The process of delegation has to be restarted again.

The subordinate may not accept delegation on the following grounds

- Poor relation with the manager
- Lack of self confidence
- Internal politics
- Increasing responsibility to compare to other subordinates
- Lack of incentives

### Stage 5 – Creation of Responsibility:

In this last stage in the process is the creation of an obligation on the part of the subordinate to perform duties & used assigned authority properly.

In this stage manager & sub ordinate have authority to complete the duties & responsibility. It is a duty of the delegator (manager) to assist the delegate (sub ordinate) a sub ordinate gives positive reply of the work to manager about the work or task at this stage. Process of delegation of authority completed.

### **BARRIERS TO DELEGATION:**

Delegation authority outwardly appears to be a simple process with number of benefits. Some of barriers face by supevior & sub ordinate it explain with the help of following points.

#### **a. Difficulties / Barrier's on the part of Manager / Superior:**

##### **1. Fear of Competition:**

The Manager may feel that subordinate can be a treat to his position. If the subordinate performs delegated were effectively. We get a promoting ahead of the superior. Some time superior fear about the competition if the organisation fear of sub ordinates excellence may came few the way of delegation.

##### **2. Fear of losing control:**

Some time manager fear of losing control over their sub ordinate because of superior gives some order to sub ordinates & therefore they may not depend on the superior for here manager face difficulties. If relation to delegation of were educated sub ordinate done work effectively at a superior level so that's way manager fear of losing control over subordinate.

##### **3. Fear of Subordinate excellence:**

It is perpetuate barriers at the part of superior some time educated & well knowledge subordinate done were effectively as compare to superior so here clones of sub ordinate do well excellence that's why superior may feel that subordinate can be threat to his position.

##### **4. Lack of confidence in subordinate:**

Poor superior-subordinate relationship creates lack of confidence if subordinate manager may have this skill & the expertise to take quite decision about the particular were but he feel that his subordinate is not competent to deal with the problem it may be reduce the confidence of superior to sub ordinate the delegation of work.

##### **5. Lack of ability to direct / inability to direct:**

Every time manager delegation authority but some time may not be able to do it effectively because of lack of ability to direct subordinate inexperience manager lazy face this problem of proper directing subordinate.

**6. Desire to dominate:**

Manager normally have desire to dominate their subordinate they prefer to dominated subordinate all subject / matter of organization. So they do not proper delegate authority they also feel that to delegation most of the subordinate know their managerial ability.

**7. Fear of being exposed:**

The fear of being exposed due to personal short coming may cut as on obstacle for the delegation. Delegation may expose the manager of his corrupt practices because of where is delegated subordinate that get knowledge about such malpractices.

**b. On the port of Subordinate**

**1) Fear of criticism:**

Every subordinate express unwillingness to accept delegated authority because the fear of criticism. The subordinate do not delegated work properly it may chances of criticism if they commit mistake.

**2) Lack of Information:**

Some subordinates lack of information about delegated work it may reduce efficiency of the employee about particular work if a subordinate does not get full information about work he may not accept authority.

**3) Lack of self confidence:**

Some subordinate take quick and wrong decision because of lack of self confidence about delegated work. Negative managerial behavior may reduce own confidence of subordinate it may directly affect to the actual work.

**4) Fear of losing Job:**

It is a important barriers of subordinate. Most of the subordinate may feel that it they do not delegated were properly be may lose his job therefore they do not delegated authority.

**5) Overdependence on superior:**

Most of the subordinate overdependence on superior about delegated work they do not directly interfere if authority and responsibility of superior is prepared to delegated work subordinate why is not confidence about his own ability will certainly manage the responsibility.

**6) Poor superior – subordinate relations:**

Inverse relationship between superior subordinate may directly impact on the process of delegation of authority most of the bad things reduce the superior subordinate relation such as lack of communication to each other interference by superior in subordinate work.

**7) Fear of being exposed:**

Some subordinate feel that they have limited capacity to accept the challenges which are bound to come due to delegation therefore they may not accept delegation for the fear of being exposed of their ineffectiveness.

**8) Difficulty in decision making:**

Subordinate facing a problem at decision making. Most of the time all order decision taken by superior. So subordinate may not have use skill and experience to take decision it may arise problem of delegation.

**PRINCIPLES OF DELEGATION:**

Principle play important role in the process of delegation. Some of the important principles explain with the help of a following figure

**1. Principle of Functional clarity:**

Before delegation authority the subordinates should be made to understand their duties and responsibilities. Subordinates followed rules & regulation & completed the work in the period they play positive role in this process. Subordinates followed the principle of functional clarity.

**2. Principle of Authority & responsibility:**

This principle of delegation suggests that the subordinate followed authority of manager & their responsibility to complete them

every manager & sub ordinate are especially responsible about their work there should be proper balance between authority & responsibility.

**3. Principle of unity of command:**

The sub ordinate should received instruction & order by one superior to undertake the delegated work. This principle suggest that all sub ordinate follow order by one manager or boss unity of command enable every organisation done the work effectively. Sub ordinate do maximum work in minimum time because of unity of command in other side reporting to more than one manager will create problems & there may be confusion.

**4. Principle of scalar chain:**

This principle suggest that give authority from the manager to sub ordinate principle of scalar chain included three tends top level, middle level & lower level therefore order may be depends on the chain the sub ordinate should know who delegates authority to whom be should contact for matter's beyond his authority.

**5. Principle of absoluteness of responsibility:**

This Principle of delegation suggests that it is only the authority which is delegated & not the responsibility. Manager always responsible about their authority manager send the order to sub ordinate about the work in the time. Sub ordinate about the work effectively at a time responsibility face by superior as well as sub ordinate not all the burden goes in head of sub ordinate so superior always responsible about the total work.

**6. Selection of Right sub ordinate:**

The superior always select right sub ordinate to delegate work sub ordinate play important role in the delegation of work trained & educated sub ordinate completed work effectively superior always focus in that kind of sub ordinate they reduce the maximum burden of the other subordinate. So the selection of subordinate important principle of delegation.

**7. Principle of exception / use of exception principle:**

The superior always delegated authority to subordinate in that time they should be interference work of subordinate some of the exceptional cases the superior refocus in the working condition of subordinate. This is normal method /rule applied by the superior, here they keep sub ordinate about delegation of work. So it is a significant principle of delegation of authority.

#### **8. Provision for incentives / reward effective delegation:**

In the process of delegation sub ordinate is always focus on needs of sub ordinate in that needs incentives is important part of worker they adopt some innovative activities for raising moral of sub ordinate.

#### **9. Provision of Training:**

The principle of training suggests that all sub ordinate provide right technique to delegate work training would help to improve skill & knowledge to manage the work trained sub ordinate enable reduce the burden of superior & raising working nostrils.

#### **Advantages of Delegation of Authority:**

The following are the advantages of the process of delegation of authority, which gives the answer to why delegation is needed?

##### **1. Management Function:**

When the area and nature of business is very large then management can function properly due to the delegation of authority.

##### **2. Trust & opportunity:**

It becomes very easy and possible to the officer to get the various works done by putting trust on the assistants. Similarly assistants get the opportunity to perform the work separately.

##### **3. Challenging jobs:**

The work load on the officers is reduced and they can concentrate on other important functions and more challenging jobs.

#### 4. Cordial relationships:

The superiors trust subordinates and give them necessary authority. The subordinates accept their accountability and this develops cordial relationships between superior and subordinate.

#### 5. Team Spirit:

Due to delegation effective communication develops between the superiors and subordinates. The subordinates are answerable to superiors and the superiors are responsible for the performance of subordinates.

#### 6. Leads to motivation of subordinates:

Subordinates are encouraged to give their best at work when they have authority with responsibility. As a result it leads to motivation of subordinates.

### **Decentralisation**

(Authority to take decision OR decision making authority given to lower level)

#### **Meaning:-**

Decentralisation of authority is that philosophy of the top management under which maximum authority is dispersed (or distributed) among managers of middle and lower level and minimum authority is kept by the top management.

#### **Definition:-**

According to Louise A Allen, “Decentralisation is the systematic and consistent delegation of authority to the levels where the work is performed”

### **Factors affecting Centralisation & Decentralisation of Authority**

It is not feasible to entirely centralize or decentralize an organisation. The degree of delegating authority and other factors decide the amount of centralisation & decentralisation of an organization.

**1. History of the organisation:-** The organisation which expands from within, shows a market tendency to keep authority centralized. E.g. Henry Ford made most of the decisions in Ford motors. On the other hand organisations that pass through mergers, acquisitions and consolidations are likely to be decentralized in decision making. E.g. Toyota employs over 3 lakhs people and they all belong to independent business units controlled by an overall corporation.

**2. Availability of Managers:-** There is more availability of managers, Authority will be decentralized. If there is shortage of managers then authority will be centralized.

**3. Business Dynamics:-** In old well established but slow moving business, there is a tendency to centralized & In fast moving business they follow tendency to decentralized.

**4. Management Philosophy:-** The management philosophy also effects whether authority to be centralized or decentralized. If the management wish to take all the decisions themselves then organisation will be more centralized and vice versa.

**5. Central techniques:-** Absence of proper central techniques may prevent decentralisation. A good manager at any level of organisation cannot delegate authority, without having proper control system. But if there availability of good control system then authority will be decentralized.

**6. Degree of diversification of product lines:-** If there is larger product diversity there is need for more decentralisation, If organisation is dealing with one product they follow centralization of authority. E.g. i) Annual dealing with several products like chocolate, ice cream, milk, paneer they follow decentralisation. ii) Titan dealing with watches only therefore, they follow centralisation of authority.

**7. Size of the organisation:-** The larger the size of organisation, the more decision to be made for that it requires to be more number of managers to be involved in decision making So, they follow decentralisation small organisation follow centralization.

**8. Decentralized performance:-** It refers to the situation where the operation of a company are spread over a geographic area. Authority tends to be decentralized. If the company have only local level operations they follow centralisation of authority e.g. Sole trading concern.

**9. Costliness of Decision:-** The more costly or important the decision is, the greater is the possibility that the decision will be made at upper level. So there is less decentralisation of costly decisions.

**10. Desire to obtain uniformity:-** The more desire to obtain uniformity, the more will be the centralisation and less would be decentralisation of authority.

**11. Nature of Business:-** There are different functions in the organisation such as purchasing, production, marketing which are subject to more degree of decentralisation as compare to service functions such as personnel, finance, research & development are subject to centralisation for superior control.

**12. Complication of jobs:-** Technical & critical job decision will not only taken by top management. But they have to take help of expert in the area. Therefore, they follow decentralisation.

## UNIT IV

### STAFFING DIRECTING AND CONTROLLING

#### STAFFING

##### Meaning

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

#### FEATURES OF STAFFING

- Continuous process:- staffing is a continuous process. As long as the organisation exists, there is a need for staffing. It is not enough to select people and make them to work. There is a constant need to monitor the performance of the employees through performance appraisal reports.
- Multi-dimensional in nature:- staffing is a multi-dimensional in nature. It involves various sub elements or functions

The various sub functions are as follows:-

- Recruitment and selection
- Placement of employees at right place and at right time
- Training and development
- Performance appraisal
- Promotions and transfers
- Factors :- Staffing depends upon various factors. The factors affecting staffing can be broadly divided into two groups:-
  - Internal factors:- such as image of firm, expansion or growth plans

Example :- if the company enjoys a good image, the firm needs to provide regular training to the employees.

➤ External factors:- such as educational standards, labour policy of the government.

Example :- If the educational standards are not up to the mark, then the firm must provide proper training to the new recruits before placing them on the job

- Result oriented :- The staffing function plays a very important role on focus on results. All the functions of staffing aim at achieving higher efficiency and productivity.
- Systematic approach:- staffing requires systematic approach in selection of employees. The firm should select the right people by conducting systematic interviews
- Long term benefits:- staffing aims to obtain long term benefits include:-
  - Corporate image
  - Market share
  - Loyalty of employee
  - Loyalty of customers
- All pervasive:- staffing function is applicable to all levels, and it is also applicable to all the organisations, whether small or large, business or non-business, because every organisation needs human resources to undertake the activities.
- Long term benefits :- effective staffing can generate long term benefits to the organisation. Ex a systematic selection and training leads to higher performance not only in short term but also long term, there is a constant need for motivation of employees.

## **IMPORTANCE OF STAFFING**

1. Helps to achieve objectives:- staffing helps to achieve organisational objectives through proper staffing policies , employees will work with commitment and dedication which helps to achieve objectives.

Example :- if the person has marketing knowledge more than accounting and if he placed in marketing department this employee with his best efforts can achieve marketing goal as well as organisational goal {to earn profit}

2. Job satisfaction:- it generates job satisfaction in the employees with the help of proper placement and promotion policies

Examples :-if the commerce asst. professor place to teach commerce subject then commerce faculty enjoy the job it generates job satisfaction.

3. Labour relations :- staffing helps to develop good labour relations . Due to staffing policies, the employees develop positive attitude towards management and organisation. Therefore, the labour relations improve.
4. Improves efficiency :- Staffing helps to improve the efficiency and productivity of the organisation . Proper staffing enables employees to put their best efforts which improve efficiency.
5. Reduces absenteeism and employees turnover :- with the help of proper staffing, employees develop positive attitude so don't remain without permission. Employees work with commitment and dedication and they became loyal to the organisation.
6. Team work :- Staffing facilitates team work in the organisation due to the following reasons:-

Positive attitude

Good relationship between superior and subordinate

Employees develop connectivity with each other

7. Enhances corporate image :- staffing leads to better performance .better performance results in higher profit. Higher profit enables a company to enjoy corporate image in the mind of various stakeholders such as government , shareholders, employees, customers, and society as large.
8. Optimum utilisation of resources :- staffing helps to make optimum utilisation of resources. Due to proper staffing not only human resources are put tom maximum use but also physical and financial resources as well.
9. Innovation :- staffing leads to innovation in an organisation

Example:- trained employees come up with new ideas , new products, new designs , new scheme innovation gives competitive advantage to the firm .

## **SELECTION PROCESS**

- It is a process of choosing right person for the right job

- The process of selection consist of following steps:-

1. Job analysis :- The first step in selection ;process is analysing the job proper job analysis helps to advertise the job properly by clearly stating the duties, qualifies experience, salary Accordingly , the right candidates may apply for the job
2. Advertising the job :- The next step is to advertise the job through various media such as internet, newspaper ,the details about the job and the candidate requirement must be given in the advertisement
3. Initial screening:-The initial screening can be done of the applications and applicant usually, a junior executive does the screening work. The executives may check on the experience, age , qualification, family background of the candidate
4. Application blank :- It is a company format to obtain standard information of every candidate in respect of biographic, academic, references and experience.

The application provides Input for the interviews

The basis to reject candidates who do not meet eligibility criteria

5. Tests: - various test can be conducted to judge an agility and experience of the candidates.

The various tests are:-

Personality test

Intelligence test

Performance test

Stress test

6. Interview :- It is a face to face exchange of views, ideas and opinions between the candidate and interviewer

The various types of interview are:-

Panel interview

Individual interview

Group interview

Exit interview

7. Reference check :- candidate may be asked to provide references to confirm about the applicants past life, character and experience.

Uses of references check:- To know the character and other details of the candidate

To cross check false information supplied by candidate

8. Medical check:- It is undertaken to check physical fitness of the candidate

Ensure health and safety of other employees

9. Final interview :- Before making a job offer , the candidates may be subjected to one more oral interview to find out their interest in the job and their expectations

At this stage, salary and other perks may be negotiated

10. Job offer :- This is the most crucial and final step in selection process. A wrong selection of a candidate may make the company to suffer for a good number of years

## **EMPLOYMENT TEST**

1. Performance test :- This test tries to test the performance of thr candidate in respect of a certain job . It is specially designed to measure specific skills and knowledge required for job

Example :- an accountant may be asked to prepare balance sheet from details given below.

The person who came for asst professor job asked to give demo lecture in this subject

2. Personality test :- It is conducted to judge the the personality of the candidate . Personality is the sum of physical , mental and social qualities
3. Aptitude test:- It helps to judge specific talent or skill to handle particular type of job

Example:- some persons may have good aptitude for selling, others for accounting and so on this type of test help the company to select the right candidate who is best suited for the job

4. Interest rate :- This test is conducted to find out likes and dislikes of candidates towards occupations, hobbies
5. Projective test:- This test requires interpretation of problems or situations.

Example :- a photograph or a picture can be shown to the candidates and they are asked to give their views and opinions about the picture

6. Intelligence test:- These help to evaluate intelligence of the person mental ability, presence of mind , memory and other aspects can be measured
7. General knowledge test :- These test help to evaluate generate awareness of the candidate in the field of sports, politics, world affairs etc
8. Perception test:- perception test can be conducted to find out attitude of the candidate towards certain objects , issues, situations.

## **MOTIVATION**

□ Definition :- Michael judicious defines ,” motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get a right desired reaction “

□ Importance of motivation

1. Motivation results in higher efficiency. When employees are properly motivated, they can produce the best possible returns at lowest cost. This is because of optimum utilisation of resources and reduction in wastages. Motivated use resources 100%
2. Reduces absenteeism:- Proper motivation of employees helps to reduce absenteeism. Motivated employees develop sense of belonging towards organisation. Therefore they wont remain absent

Example :- if the person working in the organisation gets good salary and he will be getting award” best employee award” after coming regularly to the job then he wont remain absent

3. Reduces employee turnover :- proper motivation of the employees reduces employee turnover. When employees provided with job security(permanent job)and adequate incentives and timely salary they do not leave but stay with the organisation because they develop loyalty to the company
4. Improves corporate image :- Satisfied employees are more loyal towards the company. They work with a sense of commitment and dedication. This results in better relations with public , shareholders , clients which in turns develop good corporate image
5. Good relations :- motivation reduces labour disputes and gerveinces . It helps to develop good relation between the management and employees

6. Improved morale :- Morale is the state of mind or willingness to work. Proper motivation results in improved morale of the employees. High morale in the employees is required to work with dedication and commitment
7. Reduces wastages and breakages :- Motivated employees take care utmost care in handling machines , materials and other resources, when employees are not motivated they tend to deliberately waste materials and may damage or destroy machines

## FACTORS INFLUENCING MOTIVATION

### □ **Monetary factors :-**

1. Salaries and wages :- Important motivations factors ,reasonable salary must be in time , at the time of deciding salary organisation should consider cost of living  
Company's ability to pay :- Ex reliance industries pay to general manager 18,12,500 per year

Bata India pay 25,959 per month to his assistant sales manager

Capability of the employee :- Good and talented employee gets higher salary

2. Bonus :- It is any financial compensation reward , over and above salary given to the employee as a incentive, it is based on employees performance , it is paid once in a year
3. Incentives :- The organisation also provide additional incentives such as medical allowances educational allowances
4. Special individual incentive :- The company may provide special individual incentives. It is given to the deserving employee for giving valuable suggestion or special effort on the part of the employee

### □ Non Monetary Factors

1. Status or job title :- Providing a higher status or designation, the employee can be motivated
2. Appreciation and recognition :- Employees must be appreciated for their services, the praise should come not only from the immediate superior but also from the higher authorities in case of special achievement
3. Delegation of authority :- It motivates the employees to perform the tasks with dedication and commitment . When authority is delegated by superior subordinate feel that superior have and trust in him

Example :- senior manager gives his work to the junior managers

4. Working conditions :- Provision of good working conditions such as good lighting ,sanitation proper rest and proper plan plus office layout

Example :- accountant should have their own cabin with ac.

5. Job security :- Guarantee of job security or Lack of fear of dismissal can be good way to motivate employees ,employees who are kept for long time may be frustrated or they leave the organisation

Example :- In the company after completion of 3 year make employee permanent

6. Job enrichment :- It involves providing more challenging tasks and responsibilities

Example :- an executive who is involved in preparing performance reports may also asked to frame plans

## **Leadership styles**

Definition :- In the words of Edwin Flippo , “ Leadership style is a pattern of behaviour designed to integrate organisational and personal interest in pursuit of some objectives Types of Leadership :-

1. **Autocratic leadership** :- In this leader holds all the authority and responsibility. It is focused on the boss. Leader can make decision on their own without considering the opinions of the subordinates . Subordinates have to follow and implement decisions without questioning to superior.

**Example** :- Leaders that support this type of leadership

Albert J Dunlap Donald Trump

2. **Laissez – faire leadership** :-

Leader do not exercise control on its employees directly. He acts as a chairman. Relationship is formal

**Example** :-head of department guides other member how to complete and undertake activities

**3. Bureaucratic style :-** leader believe in structured procedure and ensures employees follow procedures exactly . Leader takes decision by formalities or rules and regulations **Example :-** followed in hospitals , university , banks and organisation

**4. Consultative leadership :-** Leader consult his subordinates before taking the decisions . Leader is open minded and receives decisions from subordinates.

**5. Participative style :-** It is also known as democratic leadership. Leader consults the subordinates and allow to take part in decision making, both shares responsibility, relationships are informal

**6. Paternalistic style :-** Focused on creating a family atmosphere within the organisation. Leader acts as a father takes decision he is responsible for decision making, relation homely

Example :- followed in Japanese organisation and china

**7. Sociocratic style :-** They run their organisation like social club. Believe in a warm and pleasant and social atmosphere, superior takes decision by taking the interest of the subordinates.

**8. Neurocratic style :-** Focused on task completion by hook or by crook or at any cost. Leader is highly sensitive and gets quickly upset at failures. Leaders is responsible for decision making.

**9. Situational leadership :-** Leadership changes according to the situation, leader may be autocrat , consultative or participative depends upon the situation

## Leadership Traits /Quality

**Leadership:-** It is a activity to lead, influence people to make them to work for achievement of objectives.

**Definitions:-** in the words of George terry “Leadership is the activity of influencing people to strive willingly for group objectives.”

**Qualities of a good leader, one must posses good qualities of a leader are as follows:-**

1. **Good personality:-** personality is the sum total of physical , mental and social qualities . Leaders do have good personality.

2. **Intelligence :-** A leader should have good educational or technical knowledge. He needs to have superior knowledge that of his followers.

**Examples:-** Production manager should have technical knowledge of product design or product more than the employees working in production department.

3. **Initiative :-**Leaders need to have quality of initiative. They should be in a position to do the right things at the right time without being told by others.

4. **Innovative:-** A leader needs to have a an innovative mind. He should have the imaginations to develop new ideas or new ways in handling the activities.

5. **Self confidence**:- A leader must have self confidence . This will enable him to solve problems and face challenging situations. If he lacks self confidence , then he may not be able to influence his followers.

**Example** :- if a professor lacks self confidence he couldn't conduct a lecture in a proper manner.

6. **Communication skills** :- Good leaders are effective communicators. He should not only issue orders and instructions , but should also ensure that the followers have understood kits orders clearly.

7. **Coach and guide** :- As a coach he may actively direct his followers as to what to do , how to do and when to do a particular activity.

As a guide, he may provide advise as and when the followers require to carry out their activities

8. **Proper judgement** :- He must be in a position to judge certain situations effectively. He should be in a position to judge the performance of its subordinates whenever, there are disputes among his followers , he may play the role of judge and solve the problems.

9. **Human skills** :- A good leader is the one who commands popular and to have good following , the leader should have good inter-personal skills to understand others. The knowledge of human skills is very important to the leader as he constantly interacts with his followers.

10. **Administrative skills** :- The leader should also have good administrative skills. He should have the ability to plan , to organise , to direct , and to control the activities of his group

11. **Discipline** :- A good leader must be well disciplined person . If he is disciplined , then he would be in a better position to command discipline of his followers

## **CONTROLLING**

- **Meaning** :-Controlling is a process of monitoring actual performance and taking corrective measures, if required

- Definition :- George terry, defines ,”Controlling is determining what is being accomplished that is evaluating performance and if necessary applying corrective measures so that the performance takes place according to the plans.”
- In the word of Robert Anthony , “Management control is the process by which managers assures that resources are obtained and used effectively and efficiently in the accomplishment of an organisations

## **NATURE OF CONTROLLING**

- Systematic process:- Controlling is a systematic process, which consists of the following steps:-
  - Setting of targets
  - Measuring actual performance
  - Comparing actual performance with targets to achieve deviations
  - Selecting and implementing best corrective measure
- All pervasive :- Controlling like other functions of management is all pervasive it is applicable to all large medium small business and non business . It is also applicable to all levels in the organisations
- Focus on objectives :- Controlling focuses on achievement of objectives. The actual performance is compared with the targeted performance tf there are deviations corrective measures are taken so as to attain achieve the predetermined objectives
- Continuous process :- Controlling is a continuous process. As long as the organisation exists controlling exists
- Suggestive in nature :- The control system must be suggestive in nature . It should indicate where the problem is, who is at fault and what should be done to correct the faults
- Control by exception :- The control should enable the managers to focus their attention on exceptional or significant deviations . The senior managers should control major or exceptional deviations . The junior managers should be allowed to control routine matters
- Forward looking :- A good control system should be forward looking in nature
- Variety of techniques :- To control activities, management may adopt control techniques or tools
- Budgetary control

- Management audit
- Breakeven analysis
- Mbo (management by objectives )

## **STEPS IN CONTROLLING**

### **□ The following are steps in the control process.**

- Setting targets :- While planning, managers fix or set the target that are to be achieved by individuals over a specified period of time
- Implementation of targets :- The manager must make arrangement of resources (physical, financial, manpower)to implement the targets .implementation involves organising resources , directing the subordinates
- Measurement of performance :- Performance of individuals /department is ,measured periodically
- Comparing performance with plans :- In this stage , the actual performance is measured with the planned or standard target . By comparing, managers can find out the short fall or deviations
- Finding out causes of deviations :- The manager may study the causes of deviations. Especially ,where there are negative deviations
- Listing out corrective measures :- The next steps would be to list out the various corrective deviations
- Selecting and implementing corrective measures :- Once, a list of corrective measures . He then selects the best feasible corrective steps. The measures are the implemented
- Review or follow up :- The manager needs to review the corrective measures to find out whether corrective measures taken are in position to correct the deviations ,if necessary, additional corrective measures may be taken or targets may be set again

## **ESSENTIALS OF A GOOD CONTROL SYSTEM**

- Focus on objectives :- The good control system should always focus on objectives . It should aim at accomplishment of organisational goals

- Suitability :- The good control system should be suitable to the needs of the organisation
- Prompt :- An effective control system should promptly help to identify deviations and to take quickly and corrective measure
- Flexibility :- The control system must be flexible . The system must be workable even during the changing conditions when the plans are changed or modified
- Simplicity :- The control system must be simple for those are using it
- Objectivity :-It means that the system should be definite and verifiable performance standards must be objective and specific
- Suggestive :-The control system must be suggestive . It should indicate where the problem is, who is at fault and what should be done to correct the faults, if any
- Motivating :- A good control system should encourage employees to put efforts to achieve the target . It should be designed to prevent mistakes rather than to punish individuals
- Forward looking :- A good control system should help the managers to plan their activities for future
- Economical :- The control system should be economical to administer to follow . It should bring more returns than the money spent on it

## **CONTROLLING TECHNIQUES**

### **Traditional Techniques of Control:**

#### **1. Personal Observation:**

The simplest way to control organisational activities is that managers take round at the work place and observe the progress of the work. Any defect in performance can be spotted and corrected immediately. A face-to-face interaction is possible where workers get their doubts solved on-the-job and guidance and counselling can also be provided there and then.

This method creates psychological pressure on the employees and they perform better when they know they are being observed by their superiors. Managers can also know the behavioural, technical and psychological problems that workers are facing at the work place and they try to overcome these problems.

## **2. Budgeting:**

A budget is a statement which reflects future incomes, expenditures and profits that can be earned by a firm. It is a future projection of the firm's financial position. Non-financial aspects like units produced, units sold, unit cost of material and labour etc. can also be important components of a budget.

Budget is "the process of stating in quantitative terms, planned organisational activities for a given period of time." Budgeting control refers to comparison of actual performance with planned or budgeted performance. It is a basic technique of control and is used at every level of organisation. Budgets are prepared for the organisation as a whole and for each departmental unit.

## **3. Break-Even Analysis:**

Break-even analysis or cost-volume-profit analysis defines the relationship between sales volume, costs and profits to arrive at a figure of sales at which sales revenue is equal to cost. The point at which sales revenue is equal to cost (fixed cost plus variable cost) is the break-even point.

Sales beyond the break-even point will earn profits for the organisation and sales below the break-even point is a situation of loss.

As a technique of control, managers compare actual output with the break-even point of sales and if they are not able to sell beyond this point, they should improve their performance by increasing the sales or reducing the costs.

## **4. Financial Statements:**

Financial statements depict financial position of the firm over a period of time, generally one year.

The statements are prepared along with last year's statements so that firm can compare present performance with last year's performance and take action to improve its future performance. As these statements are prepared at the end of the financial year, as a measure of control, they guide managers to improve future performance.

## **5. Statistical Data and Reports:**

Data helps in applying statistical techniques of averages, regression, correlation etc. to predict financial performance. Data can be used for diagrammatic representations like trend charts, histograms, pie charts, and bar graphs etc. which assess the company's performance. Deviations can be pointed out and corrected.

Statistical data and regular reporting system provide information about company's financial and non-financial performance. A supervisor, for example, prepares a special report on how the salesmen are dealing with customers. This report helps managers to control the behavioural attitudes of salesmen to develop a good clientele.

## **Modern Techniques of Control:**

### **1. Management Information System (MIS):**

To carry out managerial functions of planning through controlling for various functional areas (production, marketing etc.) and integrate them with the external environment (Government, customers etc.), managers need different types of information (quantitative and qualitative).

Earlier, this information was provided by the accounting system which was limited and quantitative in nature. With computers, managers have access to huge quantity of data at very high speed. Computers help to create the data base and manipulate the information as desired for taking various managerial decisions. It helps in storage and retrieval of information. Computers enable managers to collect data at very short intervals of time, process, analyse, convert it into useful information and relate it to the external environment.

This system of obtaining timely, relevant and accurate information based on computer technology is known as management information system. The system helps managers in preparing reports for effectively carrying out planning and controlling functions.

## **2. Management Audit:**

Audit means periodic inspection of financial statements and verifying that the statements are honestly and fairly prepared according to accounting principles. An audit, thus, provides a basis for control.

### **Two types of audit can be conducted by a firm:**

- (a) External audit
- (b) Internal audit

## **4. Network Techniques (PERT and CPM):**

When a complex project is undertaken which involves a series of inter-related or inter-dependent activities, the network models or techniques help in planning, coordinating and controlling the network of activities. Various sequences of activities are scheduled with reference to time and cost and managers execute the project within the constraints of time and cost.

### **Two commonly used techniques that help in execution of complex project are:**

- a. PERT – Programme Evaluation and Review Technique developed initially for the US Navy special projects.
- b. CPM – Critical Path Method developed by researchers of DU Pont Company and computer specialists from Remington Rand Company.





