BUSINESS MANAGEMENT

UNIT- I

Management-Meaning –Definition-Nature-Importance-Distinction Between Administration And Management –Scope- Principles And Functions Of Management

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MEANING AND DEFINITION OF MANAGEMENT

MEANING:-

Management has been defined in various wages, simply stated, “Management is the art of getting things done through others” “This is very popular definition. It is very simple to understand. It reveals that a manager accomplishes objectives by guiding the efforts of other people.

What a managers does is also known us management. As a group of persons, management consists of all those who have the responsibility of guiding and Co-ordinating the efforts of other persons in order to achieve the objectives of organization.

DEFINITION

“Louis Allen”, Management is simply the efficient use of human and material resources to achieve short- or long-term goals of the organization.

NATURE OF MANAGEMENT:-

The salient features which highlight the Nature of management are as follows.

1. **Management is Universal:**
   (1) Management is required in every form of group activity.
   (2) The approach and style may differ from one organization to another.
   (3) It involves marshalling of human resources and physical resources towards attained of common objectives of the organization.

2. **Management is Purposeful:**

(1) Management exit for the achievement of specific objectives.

(2) All activities of management are goal oriented

(3) The success of the management is measured by the extent which the desired objectives are achieved.

3. **Management is an integrative force:**
    (1) The essence of management lies in the co-ordination of individual efforts into a team.
    (2) It integrates the individual goal with organizational goals.
    (3) It integrates human and non- human resources.
4. **Management is a social process:**
    (1) Management is done by people, through people and for people.
    (2) It is concerned with interpersonal relations.
    (3) Human factor is important elements in management.
5. **Management is multi-disciplinary:**

    Management has to deal with human under dynamic conditions. Therefore it depends upon wide knowledge deprival from several disciplines.

6. **Management is a continues process:**

    Management is a dynamic and an ongoing process.

7. **Management is tangible:**
    (1) Management it is unseen, its present can felt.
    (2) Function of management are tangible.

IMPORTANCE OF MANAGEMENT

The success and growth of an organization depends upon the efficiency and effectiveness of its management. Managers can do much to improve the work environment.

Sound management provides the following benefits:-

1. **Achievement of group goals:**

Management enables an enterprise to achieve its desired objectives through proper planning and control. It lays down the long-term and short –term goals, the main aim is to achieve goals of the enterprise.

2. **Optimum utilization of resources:**
    1. Utilization of resources depend upon the efficiency and motivation of workers.
    2. Managers guide and motivate towards best performance.
    3. Managers develop a spirit of mutual co-operation and a sense of responsibility among workers.

3. **Fulfillment of social obligation:-**

Management monitors the environment of business and makes necessary changes in business policies and practices so as to keep the consumers and workers satisfied.

4. **Economic Growth:-**

Management is catalyst of economic growth.

1. Management of capital and labour.

2. Generation of human energies is the take of management.

5. **Stability:-**

1. Management ensure survival of organization

2. It co-ordinates the activities of different departments in an organization.

3. Management maintains equilibrium

6. **Human Development:**

Management tries to increase the efficiency of the sub-ordinates by treating them as human.

7. **Meets the challenge of change:-**

Managers maintain a dynamic equilibrium between organization and its environment.

MANAGEMENT AND ADMINISTRATION:-

Many experts make no destination between management and administration, while other consider them as to separate function.

A few authors treat administration is a higher level activity while management is lower level function.

ADMINISTRATION IS DIFFERENT FROM MANAGEMENT:

1. Administration higher level activity while management is a lower level function. Administration is a determination of objectives and policies.

2. Management is an executive function involving the implementation of policies and direction of efforts for the achievement of objectives.

Over Sheldon was perhaps the first person to make a distinction between management and administration.

Administration is the function in industry concerned with the determination of corporate policy the co-ordination of finance, production and distribution, the settlement of the compass (structure) of the organization and ultimate control of the executive.

Management is concerned with execution of policy within the limits set by organization.

ADMINISTRATION IS A PART OF MANAGEMENT:-

According to European school of thought, management is a wide term including administration and organization.

According to Brech.management is the generic term for total process of executive control involving responsibility for effective planning and guidance of operation of an enterprise.

Administration is that part of management which is concerned with installation and carrying out the procedures by which programmers communicated progress of activities is regulated and checked with plans.

European view point is exactly opposite to the American opinion.

3. Administration and management are one:-

Fayal, William, Newman, chester Barnard neorge terry, Louis Allen, kooutz and o Donnell make no destination between management and administration.

According to Newman- management or administration is guidance, leadership and control of efforts of group individual to common goal.

According to FAYOL

All undertaking require same function and all must observe the same principles. There is no common science which can applied equally to public and private affairs. Therefore the distinction between management administrations is super flows or academic.

Administration is widely used in Govt. and public organization. Management is commonly used in business.

In order to resolve the terminological conflict between administration x management classify

(1) Administrative management and

(2) Operative management

Administrative management is determination of objectives and policies whereas operative management is primary concerned with the execution of plans for achievement of objectives.

Managers at higher level spend more time on administrative function. Managers at lower level devote more time on managerial function.

DISTINCTION BETWEEN ADMINISTRATION AND MANAGEMENT:

Administration	Management
1. Legislative and determinate function.	1. Executive function.

2. Determination of objectives and policies.	2. Implementation of policies.
3. Provides a sketch of the enterprise.	3. Provides the entire body.
4. Influenced by public opinion and other outside sources.	4. Influenced mainly by Administrative decision.
5. Mainly a top level functions.	5. Mainly a lower level function.
6. Involves thinking and planning	6. Involves doing and acting.

SCOPE OF MANAGEMENT

Marketing Management areas of business management may be classified into

Following categories:

1. Production Management:

Production management that implies planning, organizing, directing and controlling the production function. So as produce the right goods in right quantity, at the right time and at the right cost.

2. Marketing Management:

Marketing management refers to the identification of consumers' needs and supplying them the goods and services which can satisfy these wants. It involves following activities.

(1) To determine the needs and expectations of consumers

(2) Planning and developing suitable products

3. **Setting appropriate prices**

Selecting the right channel of distribution, and promotional activities.

4. **Financial Management**

Financial management seeks to ensure the right amount and type of funds to business at the right time and at reasonable cost. Thus financial Management involves the planning, organizing and controlling of the financial resource.

5. **Personnel Management:**

Personal Management involves planning organizing and controlling the procurement, development, compensation, maintenance and integration of human resources of an organization.

FUNCTIONS OF MANAGEMENT

A brief description of different functions of management is given below:-

1**. Planning:-**

Planning is the basic or primary function of management. Planning is deciding in advance what to do? When to do ? Where to do? and by whom it is to be done. Planning enables us to do things in an orderly and efficiency manner.

2**. Organizing:-**

Once plans are formulated, next step is that of organizing. Organizing is the process of establishing harmonious authority and responsibility relationships among the members of the enterprise. According to Fayol "To organize a business is to provide it with everything useful to its functioning- raw material, tools, capital and personnel". Simply to say how these factor's of production should be combined in order to achieve the objectives of the organization.

3. Staffing:

The managerial function of staffing involves managing the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure.

4. Direction:-

Directing is the managerial function of guiding, supervising motivating and leading people towards the attainment of planned target performance.

5. Controlling:-

Controlling is the process of ensuring that the organization is moving in the desired direction and that progress is being made rewards the achievement of goal controlling involves the following steps.

1. Comparing the actual performance with the standards.
2. Finding variations between the two and the reason therefore.
3. Taking corrective actions for correcting deviations so as to ensure attainment of objectives.

PRINCIPLES OF MANAGEMENT:

Management is a science consisting of principles. A principle is a fundamental statement of truth that provides a guide to thought and action.

List us management principles:

There is no exhaustive list of management principles. However the list of fourteen principles of management which was contributed by Fayola is widely accepted.

1. **Division of work:-**

Organization should be split up into a different process each process can entrusted with each person. Therefore the work every person in the organization should be limited as for as possible to the performance of single leading function.

2. **Authority and responsibility:-**

Authority cannot exists without responsibility; Responsibility cannot exist without authority. Authority and responsibility is part and parcel. Authority means delegating power to do the work. Responsibilities is a moral obligation of top level executives to see that whether the assigned work has been carried out.

3. **Discipline:-**

Discipline is defined as “respect for agreement which are directed at achieving obedience, application energy and outward mark of respect”.

4**. Unity of command:-**

Every sub- ordinates should receive orders from only one superior not more than one boss, if they receive order from more than one boss this will lead to confusion and that too sub- ordinates may confused and they do not know whom to obey and whom to ignore.

5. **Unity of direction:**

According to this principle each group of activities having same objective must have one head and one plan.

6. **Sub-ordination of individual interest to group interest:-**

Efforts should be made to reconcile individual interest with common interests.

7. **Remuneration of personnel:-**

The amount of remuneration and the methods of payment should be just and fair and should provide maximum possible satisfaction to both employees and employers.

8**. Centralization:**

The degree of concentration authorities should be based upon optimum utilization of all faculties of the personnel.

9**. Scalar chain:-**

The chain of relationship ranging from superior to inferior.

10. Order:-

This principle is concerned with the arrangement as things and the placement of people.

11. Equity:-

Employees should be trended with justice and kindness.

12. Stability of tenure of personnel:-

Once employee is appointed he/she cannot be terminated unless unfortune things may happen, so the job security is assured to the employee of the organization.

13. Initiative:

Employees at all level should be given the opportunity to take initiative and exercise judgment in the formulation and execution of plans.

14. Esprit- de corps:-

This refers to harmony and mutual understanding among the members of an organization.

UNIT-II

SYNOPSIS

Planning- Meaning- nature-importance-Advantage and Limitation-Process of Planning- Types of Plans –MBO- Forecasting- Decision Making

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MEANING -PLANNING

Planning is one of the important function of management. Planning is deciding in advance what to do? When to do? Where to do? and by whom it is to be done.

Definition:-

Planning is the process is the of thinking through and making explicit the strategy, actions and relationship necessary to accomplish over all objectives of the organization.

NATURE OF PLANNING:-

1. **Planning is goat-oriented.**

Planning is directed to words accomplishment of organization objectives. The goals may be clearly defined.

2. **Planning is Primary function.**

This is basic of fundamental function of management.

3. **Planning all pervasive.**

Planning is the function of each and every manager irrespective of the level and area of his / her operation. It is the job of all managers in all types of organization.

4. **Planning is an intellectual process:-**

Planning is a mental process involving imagination, foresight and sound judgment.

5. **Planning is a continues process:-**

Planning is a ongoing process. As a manager carrier out his functions he continues to plan, revising his old plan and choosing alternative plans as the head arises.

6. **Planning is forward looking:-**

   All planning is done with an eye on future. Planning involves looking ahead and preparing for the future.

7. **Planning involves choice:-**

Planning is basically a problem of decision-making or choosing among the alternative course of action.

8. **Planning is an integrated process:-**

Planning is a structured process and different plans constitute a hierarchy each and every plans to the organizations are inter-related and inter dependent.

9. **Planning is directed towards efficiency:-**

While planning for the future course of action, as a manager has to evaluate different types of alternatives this will lead to increase the efficiency of the planners of the organization.

ADVANTAGES OF PLANNING AND IMPORTANCE:-

1. **Focuses attention on objectives and results :-**

   Planning concentrates attention on the dominate goals of the organization.

2. **Reduces uncertainty and risk:-**

   Planning enables on organization to cope with uncertainty and change.

3. **Provides sense of direction:-**

   It directs human efforts into endeavors that contribute to the accomplishment of goal

4. **Encourages innovation and creativity:-**

   Planning requires continues monitoring of environment for new ideas and developments. As a result the enterprise become dynamic.

5. **Helps in Co-ordination:-**

   Sound planning inter- relates all the activities and resources of an organization.

6. **Guides in decision making:-**

   When plans covering future exist, decisions consistent with the future plans are made. Therefore decisions automatically get a future orientation.

7. **Provides a basis for decentralization:-**

   Planning helps in the delegation of authority to lower levels of-management. Planning also helps to improve the motivation and morale of the employees by providing targets of performance.

8. **Provides efficiency in operations:-**

   Planning facilitates optimum utilization of available resources. It improves the competitive strength of an organization.

9. **Facilitates control:-**

   Planning provides the basis for control. Plans serve as standards for the evaluation of performance

LIMITATION OF PLANNING:-

1. **Inaccuracy :-**

   Planning is based on forecasts which are never cent percent accurate if reliable forecast and data are not available planning becomes unrealistic.

2. **Time consuming:-**

   Planning is a time consuming and expensive. Time, effort and money are required in the collection and analysis of data.

3. **Rigidity:-**

   Planning may result in internal flexibilities and procedure rigidities which curb initiative and individual freedom.

4. **Resistance:-**

   Planning often requires some change in the existing set-up. Unless the required change is forthcoming planning may be ineffective.

5. **False security;-**

   Planning may create false sense of security in the organization

6. **External constraints:-**

The effectiveness of planning may be affected by external force.

STEP INVOLVED IN PLANNING OR PROCESS OF PLANNING OR PROCESS OF PLANNING:-

There is no standard planning process. Each enterprise has to develop it's own modus for planning depending on its size, nature and environment

Main steps involved in planning process.

1. **Analyzing environment:-**

The first step in planning process is a thorough analysis of the external and internal environment of the enterprise. Analysis of external environment help to identify the opportunities and constraints for the enterprise, effective planning must enable the organization to hope with the changes (market condition, govt. policies, technological development etc.). Therefore the managers carefully analysis and interpret the complex environmental forces, this will determine the quality of planning.

Analysis of internal environment will help to identity the strength and weakness of the enterprise.

2. **Establishing objectives:-**

Plans are formulated to achieve certain objectives. The organization objectives should be established in the light of perceived opportunities resources of the organization, objectives should be clearly spelled in key areas of operations for different division and departments.

3. **Determining the planning premises:-**

Planning is done for future which is uncertain. Therefore certain assumption are made in preparing plans. These assumptions or conditions underlying planning should be defined through scientific forecasting of future events.

Planning can be several types; ie is internal and external, the internal premises which can be controllable ie is (internal resources and polices of the enterprise) external premises which cannot be controllable ie (population growth, general economic conditions, government policies, political situations etc.)

4. **Developing alternative course of action:-**

There can be several ways of achieving the same objectives. The various alternatives should be identified.

5. **Evaluating alternatives:-**

The various alternatives are compared and weight in the light of objectives. Each alternative has its own merits and demerits several statistical and mathematical techniques are used to evaluate alternative course of action.

6. **Selecting the best course:-**

After evaluating the various alternatives the most appropriate alternative is selected

7. **Formulating derivative plans:-**

Once the basic plan is decided, various supporting or subsidiary plans are formulated.

TYPES OF PLANS

On the basis of time period, planning may be of three types:-

1. **Long-term planning:-**

Long –term planning covers a long period in future 5, 10 or 15 years. Long- term planning involves commitment of resources for long term.

2. **Medium- term planning:-**

Also know us intermediate planning. It focuses on a period between two and five years. Such planning is more detailed and specific than long –term planning.

3. **Short –term planning:-**

Such planning covers a short period usually one year. It deals with specific activities to be undertaken to accomplish the objectives laid-down under long-term planning.

MANAGEMENT BY OBJECTIVES

"Management by Objective" (MBO) approach, in the sense that it requires all managers to set specific objectives to be achieved in the future and encourages them to continually ask what more can be done, is offered as a partial answer to this question of organizational vitality and creativity. As a term, "Management by Objectives" was first used by Peter Drucker in 1954. As a management approach, it has been further developed by many management theoreticians, among them Douglas McGregor, George Odiorne, and John Humble.

Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans encourages participation and commitment among employees, as well as aligning objectives across the organization.

Process of MBO

The 6 steps of the MBO process are;

1. Define organizational goals
2. Define employees objectives
3. Continuous monitoring performance and progress
4. Performance evaluation
5. Providing feedback
6. Performance appraisal

1. **Define Organizational Goals**

Goals are critical issues to organizational effectiveness, and they serve a number of purposes. Organizations can also have several different kinds of goals, all of which must be appropriately managed. And a number of different kinds of managers must be involved in setting goals. The goals set by the superiors are preliminary, based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

2. **Define Employees Objectives**

After making sure that employees' managers have informed of pertinent general objectives, strategies and planning premises, the manager can then proceed to work with employees in setting their objectives.

The manager asks what goals the employees believe they can accomplish in what time period, and with what resources. They will then discuss some preliminary thoughts about what goals seem feasible for the company or department.

3. **Continuous Monitoring Performance and Progress**

MBO process is not only essential for making line managers in business organizations more effective but also equally important for monitoring the performance and progress of employees.

For monitoring performance and progress the followings are required;

- Identifying ineffective programs by comparing performance with pre-established objectives,
- Using zero-based budgeting,
- Applying MBO concepts for measuring individual and plans,
- Preparing long and short-range objectives and plans,
- Installing effective controls, and
- Designing a sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

4. **Performance Evaluation**

Under this MBO process performance review is made by the participation of the concerned managers.

5. **Providing Feedback**

The filial ingredients in an MBO program are continuous feedback on performance and goals that allow individuals to monitor and correct their own actions. This continuous feedback is supplemented by periodic formal appraisal meetings in which superiors and subordinates can review progress toward goals, which lead to further feedback.

6. **Performance Appraisal**

Performance appraisals are a regular review of employee performance within organizations. It is done at the last stage of the MBO process.

DECISION MAKING

Introduction

Decision making is a daily activity for any human being. There is no exception about that. When it comes to business organizations, decision making is a habit and a process as well.

Effective and successful decisions make profit to the company and unsuccessful ones make losses. Therefore, corporate decision making process is the most critical process in any organization. In the decision making process, we choose one course of action from a few possible alternatives. In the process of decision making, we may use many tools, techniques and perceptions.

Meaning of Decision Making

Decision making is the judgment of the process by which one can choose between a number of alternative courses of action for the purpose of achieving goals.

TYPES OF DECISIONS

There are many types of decision making. Some of the Importance types are-

1. Programmed and non-programmed decision.
2. Major and minor decision.
3. Routine and strategic decision.
4. Organizational and personal decision.
5. Individual and group decision.
6. Policy and operational decision.
7. Long-term, departmental, and non-economic decision.

Let’s elaborate on each type of decision making-

1. Programmed and non-programmed decision

Programmed decisions are those, which are in accordance with some habits, rules, or procedures. Every organization has its own policies that simplify decision making.

For example, we would not worry about deciding the salary of a new employee, the organization generally has established a salary scale for all positions.

Non-programmed decisions are those that deal with unusual problems. If the problem such as it did not come up often enough cover by policy or it is so important that needs special treatment, it is taken care of by non-programmed decision.

Some of the non-programmed decisions are –

- How to allocate an organization’s resources.
- What to do about failing product line.
- How community relations should be improved will usually require non-programmed decisions.

2. Major and minor decision

Making the decision to purchase expensive equipment, such as purchasing a machine is considered a major decision.

The purchase of cheap equipment like a few reams of typing paper is a minor decision.

3. Routine and strategic decisions

Routine decisions are slightly similar to programmed decision making. Routine decisions are repetitive in nature, do not need any analysis and evaluation, are in the context of day to day operations of the enterprise, and can be made by middle management level.

Example: Sending a sample to a government investigation centre.

A strategic decision is related to the policy of the organization, are taken by high levels of management, it involves a large expenditure of fund. A slight mistake in decision making is injurious to the enterprise.

Example: capital expenditure decision, decision-related to pricing, etc.

4. Organizational and Personal decision

A manager makes organizational decisions on behalf of a company's officer. This type of decision reflects the policy of the organization.

Personal decisions are the manager's individual decision, and not as a member of the organization.

5. Individual and group decision

Individual decisions are taken by a single individual in the context of routine decisions according to the guideline of the organization.

Group decisions are taken by conducting committee meetings for any specific purpose. Such decisions are very important for the organization.

6. Policy and operative decisions

Policy decisions are critical, so they are taken by top management, it makes a long term impact, and mostly related to basic policies.

The operative decision related to day to day operations of the enterprise and taken by low-level management.

7. Long term, departmental and non-economic decision

Long term decisions are taken for a longer time period and the risk involves is high.

Departmental decisions are taken by the departmental head, related to a particular department.

The non-economic decision is related to factors such as technical values, moral behaviour, etc.

Steps involved in Decision Making Process

Following are the important steps of the decision making process. Each step may be supported by different tools and techniques.

Step 1: Identification of the purpose of the decision

In this step, the problem is thoroughly analyzed. There are a couple of questions one should ask when it comes to identifying the purpose of the decision.

- What exactly is the problem?
- Why the problem should be solved?

- Who are the affected parties of the problem?
- Does the problem have a deadline or a specific time-line?

Step 2: Information gathering

A problem of an organization will have many stakeholders. In addition, there can be dozens of factors involved and affected by the problem.

In the process of solving the problem, you will have to gather as much as information related to the factors and stakeholders involved in the problem. For the process of information gathering, tools such as 'Check Sheets' can be effectively used.

Step 3: Principles for judging the alternatives

In this step, the baseline criteria for judging the alternatives should be set up. When it comes to defining the criteria, organizational goals as well as the corporate culture should be taken into consideration.

As an example, profit is one of the main concerns in every decision making process. Companies usually do not make decisions that reduce profits, unless it is an exceptional case. Likewise, baseline principles should be identified related to the problem in hand.

Step 4: Brainstorm and analyse the different choices

For this step, brainstorming to list down all the ideas is the best option. Before the idea generation step, it is vital to understand the causes of the problem and prioritization of causes.

For this, you can make use of Cause-and-Effect diagrams and Pareto Chart tool. Cause-and-Effect diagram helps you to identify all possible causes of the problem and Pareto chart helps you to prioritize and identify the causes with highest effect.

Then, you can move on generating all possible solutions (alternatives) for the problem in hand.

Step 5: Evaluation of alternatives

Use your judgment principles and decision-making criteria to evaluate each alternative. In this step, experience and effectiveness of the judgment principles come into play. You need to compare each alternative for their positives and negatives.

Step 6: Select the best alternative

Once you go through from Step 1 to Step 5, this step is easy. In addition, the selection of the best alternative is an informed decision since you have already followed a methodology to derive and select the best alternative.

Step 7: Execute the decision

Convert your decision into a plan or a sequence of activities. Execute your plan by yourself or with the help of subordinates.

Step 8: Evaluate the results

Evaluate the outcome of your decision. See whether there is anything you should learn and then correct in future decision making. This is one of the best practices that will improve your decision-making skills.

UNIT- III

Organising-Meaning-Definition-Characteristics-Importance-Types-Authority And Responsibility-Centralisation And Decentralization And Departmentation.

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ORGANISING

Meaning of Organizing:

Organizing is that managerial process which seeks to define the role of each individual (manager and operator) towards the attainment of enterprise objectives; with due regard to establishing authority responsibility relationships among all; and providing for co-ordination in the enterprise as an in-built device for obtaining harmonious group action.

Definitions of Organizing:

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

- Koontz and O 'Donnell

"Organizing is the process of identifying and grouping the work to be performed, defining and delegating the responsibility and authority and establishing a pattern of relationship for the purpose of enabling people work most effectively to accomplish the objective".

- Louis A. Allen

CHARACTERISTICS OF ORGANISING:

1. **Division of Labour**:
   Work is assigned to the employee who is specialized in that work.
2. **Co-ordination**:
   Different members of the organization are given different tasks to perform when all the tasks are put together logically and sequentially, it results in the objectives, so coordination is required.

3. **Objectives**:

   Objectives need to be specifically defined.

4. **Authority-Responsibility Structure**:

   For an effective authority responsibility structure, the position of each manager and executive is specified, as per the degree of the authority and responsibility assigned to them, while performing the duties.

5. **Communication**:

   The techniques, flow and importance of communication must be known to all the members.

IMPORTANCE OR ADVANTAGES OF ORGANISATION

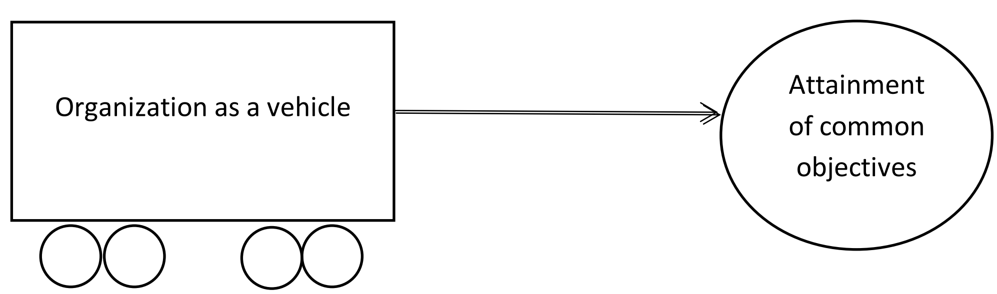
The importance of organization could be highlighted by references to the role it plays in the enterprise life; considered in the following analytical manner:

1. Basic role of the organization
2. Other aspects of role

(I) Basic role of the organization

The basic role of the organization could be expressed by comparing it to a vehicle; which is devised and designed for the attainment of the enterprise objectives. Just as with the help of a vehicle a person is enabled to reach upto his/her destination; in a similar manner, a group of persons (comprised in the enterprise) is made in a position to reach their destination i.e. the attainment of common objectives via the vehicle of the organization.

In fact, for the attainment of enterprise objectives, action on the part of individuals, comprised in a group activity, is necessary; and undertaking such action is facilitated in a planned and systematic manner by the organizational structure; i.e. the organization.



(II) Other aspects of the role

Some important aspects of the role of the organization could be stated as follows:

i Facilities specialization

An organization exists basically to take care of and implement-the division of work of various types—among managers, subordinates and operators. Such division of work, leading to specialization in various spheres, is instrumental in bringing about increased human efficiency in the organizational functioning.

ii Avoids omissions, overlapping and duplication of efforts

While dividing work among departments and individuals, during the process of organizing, care is exercised by management to see that

a) No part of work, necessary for attainment of objectives, is lost sight of
b) There is no overlapping or duplication of activities and efforts, while assigning work to individuals and departments.

iii Defines authority—responsibility relationships

An organizational structure defines and clarifies authority responsibility relationships among managers and subordinates in the enterprise-all through-horizontally and vertically.

Such clarification of authority responsibility relationships not only means a smooth functioning of the organizational life; but also promotes good human relations, in the organization-through facilitating mutual understanding of one another.

iv Facilitates staffing

The organizational structure is a great aid to efficient staffing. It, by clearly defining various organizational positions managerial and operational, not only points out to the need for appropriate personnel who must man these positions; but also specifies the requirements to be sought after in various personnel in terms of the abilities and skills needed to perform those jobs.

v Provides for co-ordination

An organization facilitates co-ordination; as the latter is provided for in the structure of organization as an in-built device.

Needless to say, that a well-designed and defined organizational structure provides for thorough co-ordination-horizontally and vertically; and enables management to relish the essence of managership and take the enterprise to the heights of success.

vi Establishes channels of communication

Communication among the personnel in the enterprise is not only the basis of the operational life of the organization; but also is instrumental in fostering good human relationship-through creating a base for mutual understanding.

vii Facilitates 'Management by Exception'

Management by exception is a philosophy in which the top management would concentrate only on exceptional or critical matters (like strategy formulation, policy-making, controlling significant deviations in performance by personnel etc.); leaving the rest of routine and operational matters to subordinates throughout the enterprise.

(viii) Copes with environmental changes

Environmental changes being reflected in conditions like-super fast changing technology, accentuating competition, emerging latest social and cultural values, extending State regulation of trade and industry etc. are well taken care of by a sound organization.

(ix) Leads to growth and expansion

A sound organization leads an enterprise along growth lines. Growth and expansion of the enterprise, which is imperative even for survival in a highly dynamic economy; is much facilitated by the organization through creating more departments, enlarging existing departments, widening span of management, providing for better and more effective co-ordination and communication devices and all this taking place within the existing system, structure and functioning of the enterprise.

(x) Produces synergism

A sound organization through ensuring effective integration of departmental functioning helps the enterprise to take advantage of the synergy feature of the business system. The more compact and responsible is the organizational structure; the more would be the advantages of the synergy effect.

TYPES OF ORGANISATIONS

On the basis of authority-responsibility relationships, organizations might, broadly be of the following basic types

(I) Line organization

(II) Functional organization

(III) Line and staff organization

I. Line Organization

(1) **Concept of line organization**

In the theory of management literature, a line organization is defined as that organization; in which line-authority responsibility is found excluding any other type of relationship.

This type of organization presumably first originated in the military. Hence, this type of organization is historically also called as the military organization.

(2) **Features of line organization**

The following are the fundamental characteristic features of a line organization:

(i) **A line organization is governed by the following principles:**

(a) The scalar chain principle (or the line of command) which forms a channel for communication, decision-making and action—on the part of managers and subordinates throughout the enterprise; who are also linked to one another via different links of this scalar chain.

(b) Unity of command, according to which principle, an employee or a subordinate must get orders and instructions, only from one superior i.e. his most immediate superior; and would be held accountable (or responsible) only to that superior.

(c) Span of management, according to which principle, the number of subordinates, superior, is kept limited; in view of the managerial competence of that particular superior.

(ii) **In a line organization, there is no scope for managerial specialization whatsoever:**

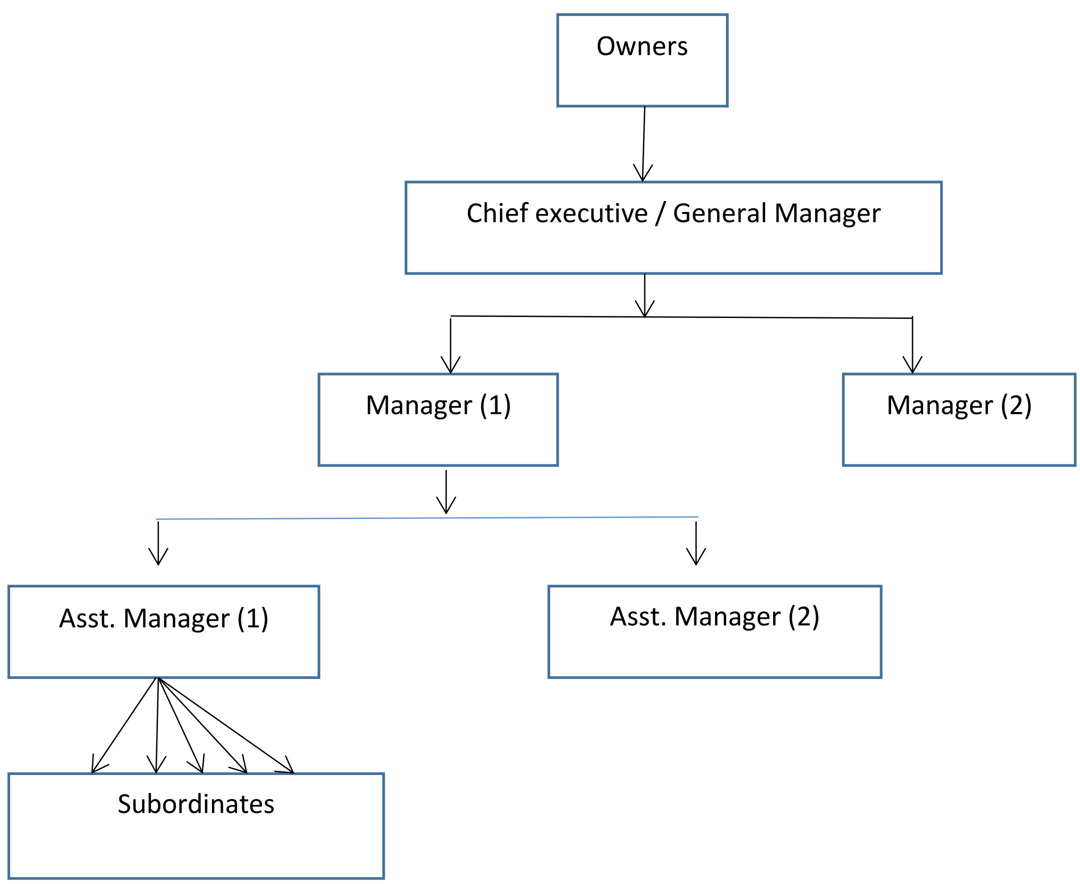
Each manager, located at a particular point in management hierarchy, is supposed to undertake all functions, pertaining to his area of functioning i.e. each manager would look after production, finance, marketing and other functions within his area of authority.

(3) **Variations of line organization**

The line organization could take the following two variations:

a. Pure line organization

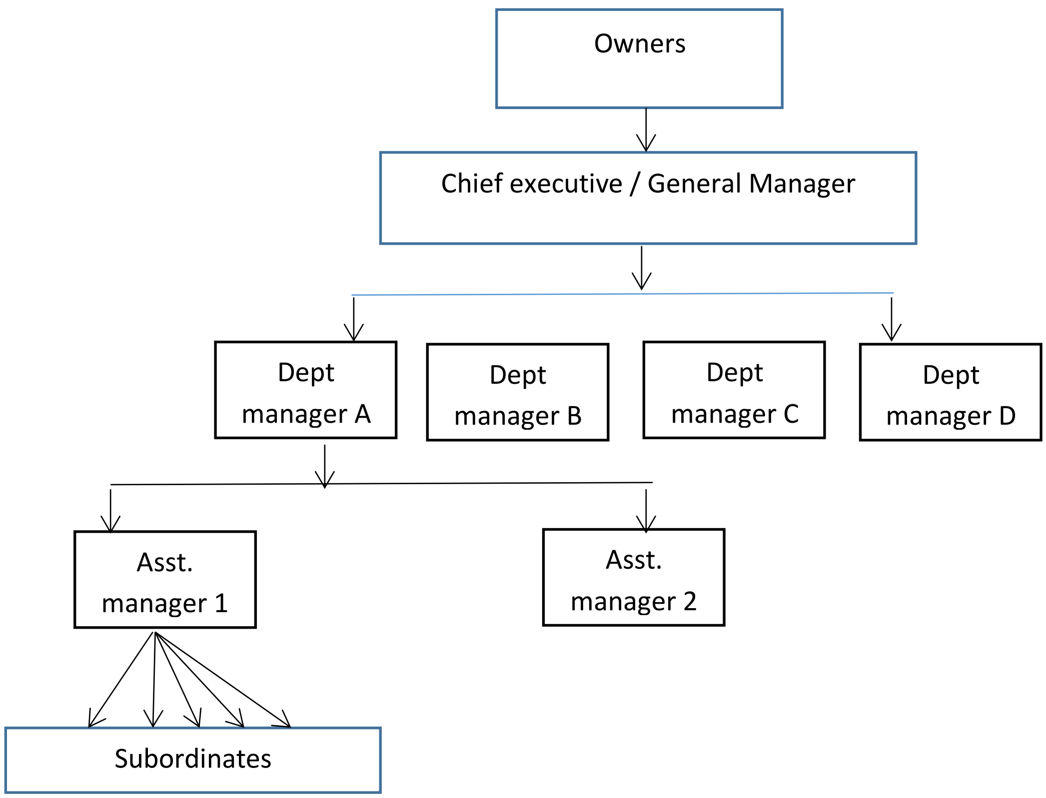
A pure line organization which is without any departmentation could be illustrated by means of the following simple chart:



Pure line organization chart

(a) **Departmental line organization**

Where the scale of operations of an enterprise is wide, owing to geographical dispersal of activities or otherwise; a departmental line organization is created—just to take care of the span of management. Each departmental manager, performs similar functions, pertaining to his department; and is absolutely independent of other departmental managers—all of them being related to one another only through the Chief Executive / General Manager. The following chart illustrates this type of organization



(4) Merits and Limitations of Line Organization

(a) Merits of line organization

Merits of the line organization could be stated in terms of the following points

(i) Simple

A line organization is simple to design; as also simple to understand and operate on the part of all, working in the enterprise.

(ii) Quick-decision-making

Because of independent status, each manager in a pure line organization and each departmental manager, in a departmental line organization; can make quick decisions within his are of authority and functioning

(iv) Smooth flow of work

Since there are clear orders and instructions to a subordinate by a single superior; therefore, there is smooth flow of work in the organization.

(v) Two-way communication

The scalar chain, which is the backbone of a line organization permits two-way communication in the organization i.e. downward and upward communications, in a systematic manner. The fact of such communication helps to develop good human relations among subordinates and superiors, throughout the enterprise.

(vi) Effective management

When span of management principle is followed properly, in a line organization; the result is more effective and efficient management. This is due to the fact that the number of subordinates under every superior is just rational; in view of the managerial competence of each manager.

(vii) Executive development

There is facilitated executive development, under line organization; as each manager is supposed to manage and take care of a variety of managerial activities viz. production, finance, marketing and others.

(b) Limitations of line organization

Some of the major limitations (or drawbacks) of a line organization could be summarized, in terms Of the following points:

(i) Over-loading on managers

In a line organization, too much is expected of every manager, who has to perform a wide variety of functions vice-versa his subordinates or department. As such, a manager does not have much time to be devoted to the 'thinking function'. Because of over-loading, a manager becomes a driver; rather than a leader.

(ii) Lack of specialization

In a typical line organisation, there is absolute lack of managerial specialisation. A manager just manages in a very ordinary manner; being a jack of all trades, but master of none. As a result, the operating efficiency of a line organisation is on low ebb.

(iii) Dictatorial management approach

Because of unity of command, there is excess authority over subordinates, exercised by a manager. Managers, therefore, are more likely to adopt a dictatorial approach towards subordinates; causing to weaken the motivation and morale of the latter.

(iv) Delayed communication

Specially, where the scalar chain is too lengthy, there is delayed communication in the line organisation. As such, the organisational operational efficiency suffers.

(v) Unsuitable under present-day-environment

The line organisation is wholly unsuitable for a large scale business enterprise, operating in the modern turbulent environmental forces; which require a technologically based specialised organisational structure

II. Functional Organisation

(1) Concept of Functional Organisation

A functional organisation is one, in which all business functions are divided among various activities or functions; and each of the function is entrusted to a specialist. Each such specialist is known as a functional specialist, by virtue of, his expertise in the function entrusted to him; and the authority possessed and enjoyed by each specialist is known as his functional authority.

(2) Features of Functional Organisation

The following are the fundamental features of a functional organisation:

(i) A functional organisation is based on the following principles:

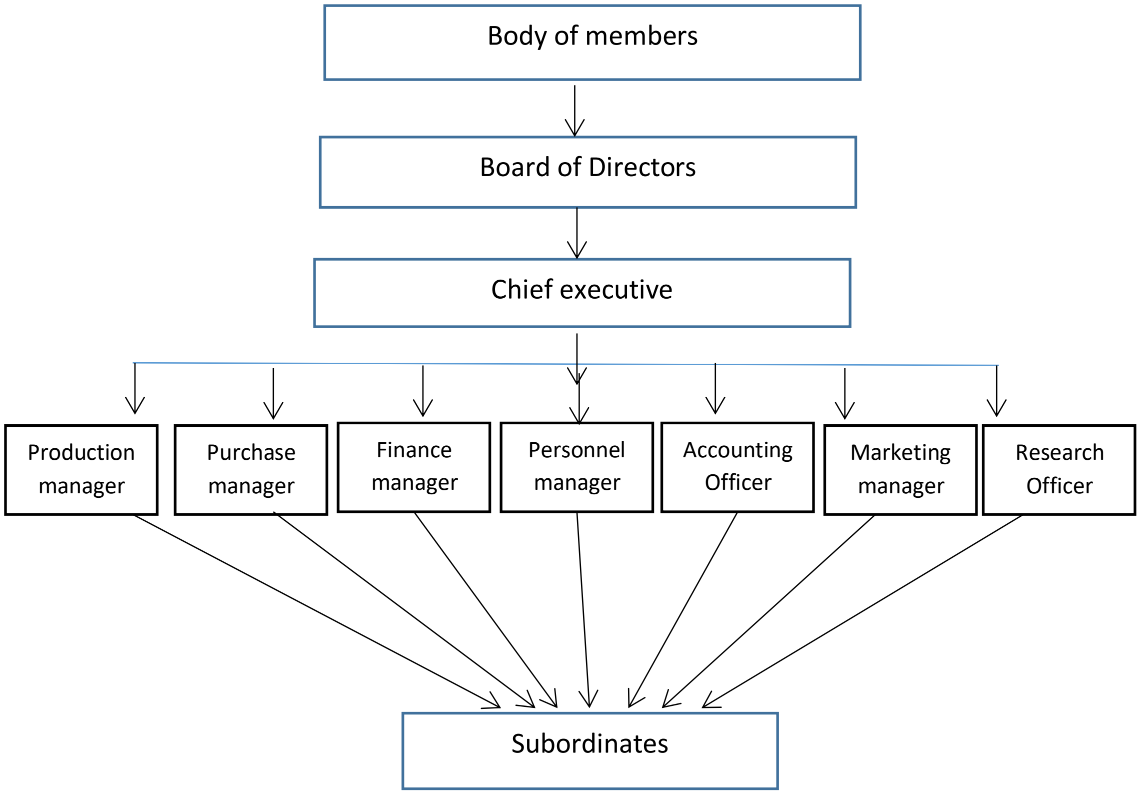
- The principle of 'total departmentation, according to which principle all the business functions must be divided among different distinct departments; and that there must be no such activity or function as might be overlooked (or ignored).
- The principle of 'precise departmentation or clear-cut departmentation, which suggests that the activities or functions of each department must be clearly identified; and that there must be no overlapping of activities.
- The principle of 'related departmentation, according to which related activities must be allocated to one central department.

(ii) The functional organisation makes extensive use of managerial specialisation; as each business function is entrusted to a distinct specialist.

(iii) A functional organisation is regulated by the 'multiple-command-system ' (i.e. an absolute violation of the unity of command); as each subordinate in the organisation is subject to multiple orders by different functional specialists—each one of the latter commanding the former pertaining to the area of his specialisation

(3) A chart of the functional organisation

We can illustrate the concept of a functional organisation, with the help of the following simple chart:



(4) Merits and Limitations of Functional Organisation

(a) Merits of functional organisation

Following are the merits of a functional organisation:

(i) Benefits of specialisation

A functional organisation provides the advantages of managerial specialisation; which directly lead to many derivative advantages like

- Best decisions due to expert knowledge of functional specialists.
- Increased efficiency of both managers and subordinates.
- Reduced cost, due to efficient operations
- Higher production, due to better planning by functional specialists.

(ii) Relief from over-burdening

Under a functional organisation, managers are not over-burdened with work, as in case of a line organisation; as each manager is supposed to take care of only the activities, pertaining to his functional specialisation area.

(iii) Healthy competition among experts

A functional organisation encourages healthy competition among functional experts; as each of them has a psychological tendency to over-shadow others—by demonstrating his superb performance towards the attainment of the common objectives of the enterprise. Needless to say, the that spirit of competition brings out the best in men

(iv) Dictatorial approach avoided

Under the functional organisation, a dictatorial approach on the part of managers is avoided; as the total authority for managing the enterprise, gets divided among a number of managers.

(v) Suitable in the present-day-times

A functional organisational structure is highly suitable for managing and operating a large scale business enterprise in the present-day times; with expanding markets, super-fast changing technology, increasing consumer and labour awareness, increasing government regulation of trade and industry and the like factors. Operation of business under this circumstance requires the services of specialists on several grounds; which requirement is aptly fulfilled by the functional organisation.

(b) LIMITATIONS OF FUNCTIONAL ORGANISATION

A functional organisation suffers from serious limitations; some of which are as follows:

(i) Drawbacks arising from multiple command system

Because of the multiple command system, which is the dominating and regulating force of a functional organisation; a number a disadvantages victimtise the functional organisation, which are:

- Confusion in the minds of subordinates, as to whose orders to obey first. Further, many a times, there might be conflicting instructions issued by functional specialists-adding to the confusion of subordinates.

- Fixation of responsibility is a problem. The subordinates could be held exactly responsible by any functional specialists, because of the violation of the unity of command.

(ii) Higher costs of administration

The functional organisation leads to higher costs of administration; because of the necessity to pay handsome remuneration to functional experts, at least in the present-day-times.

(iii) Narrow outlook of specialists

Specialists, in a functional organisation, alleged to have a narrow outlook-over concentrating only on the efficient functioning of their respective functional areas. As a result, there is, in many instances, a neglect or sacrifice of the overall general interest of the enterprise, at the hands of specialists.

(iv) Overall managerial development retarded

Since a functional specialist operates in a particular managerial area entrusted to him; the overall managerial development of specialists is regarded. Specialists, under the functional organisation set-up, might much behave like, 'frogs in the well'.

(v) Problems of co-ordination

The Chief Executive, in a functional organisation, might face serious problems of co-ordinating departmental activities; because of rigid and narrow-outlook of departmental specialists. There could be no denial of the fact that experts are like wild horses; and is very difficult to bridle them.

(III) LINE AND STAFF ORGANISATION

l) INTRODUCI'ION

Line organisation is an over-simplification of the pattern of organisational structure. Likewise, a functional organisation, making for a multiple command system, creates so much complexity of superior-subordinate relationships; that a smooth functioning of the organisation is often not me with, in reality. There is thus, a need for developing a typical organisational structure, which combines the happy features of these two types of organisations into such a system, that the organisational structure is one of the 'practical-type—conductive to operational-efficiency.

(2) Concept of line and staff organisation

Line and staff organisation is one, in which there is basic departmentation for primary business functions, operated on the concept of the scalar chain; and there is a provision for specialised activities performed through staff officers, the latter acting ordinarily in an advisory capacity.

(3) Features of line and staff organisation:

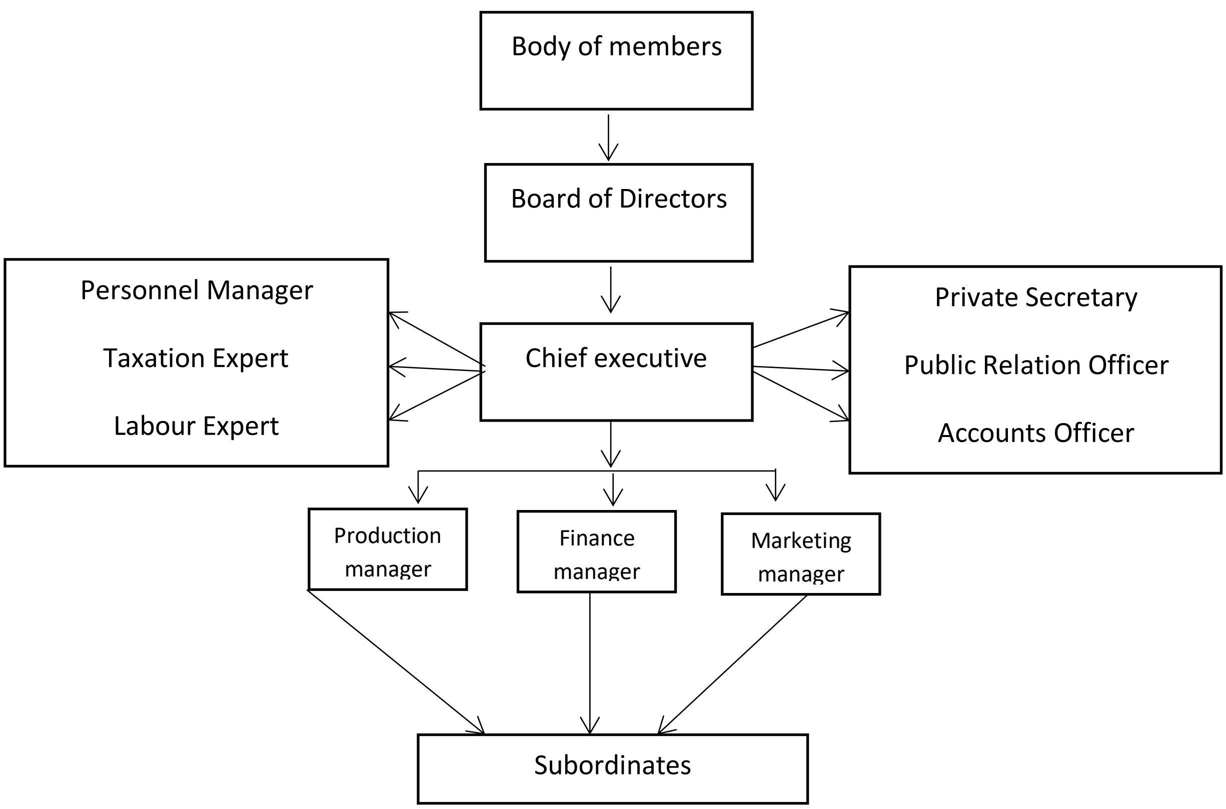
A line and staff organisation is characterised by the following features:

i The scalar chain is the fundamental principle of a line and staff organisation; which is applied towards the operational manner of line departments.

ii The principle of specialisation is observed, in the creation of those activities, functions or services (called staff functions); as are helpful to the 'line'—in contributing better towards the attainment of common objectives of the enterprise. Literally, the term 'staff" indicates a stick carried in the hand for support; and so, the staff functions are those which are helpful to the line functions.

A Chart illustrating line and staff organisation:

The following chart illustrates the basic concept of a line and staff organisation:



(5) MERITS AND LIMITATIONS OF LINE AND STAFF ORGANISATION

(a) Merits:

The following are some important points of merit, in favour of a line and staff organisation

(i) Advantages due to line of command

Because of the observance and application of the principle of scalar chain, there is facilitated a clear-cut fixation of responsibility on individuals.

(ii) Advantages due to managerial specialisation

Managerial specialisation which is embedded in a line and staff organisation via staff specialists; makes available to the organisation the benefits of originality and creativity of specialists.

(iii) Undisturbed line of command due to advisory role of the staff

The staff officers are supposed to play only an advisory rule to the line and staff organisation. As such, while on the one hand, the advantage of managerial specialisation is availed of; the line of command continues to rule the organisation in the usual manner, on the other hand.

(iv) Sharing of organisational burden

Under line and staff organisational structure, neither line nor staff officers are over-burdened with works. In fact, the organisational burden is shared by the two in a rational and well-planned manner.

(v) Growth of enterprise facilitated

The development and growth of the enterprise are facilitated, under the line and staff organisational set-up; as the functioning of the organisation is the outcome of a 'joint-venture approach' pursued by the line and staff officials. Responsibility of line coupled with the specialisation of the staff, might take the enterprise to the pinnacle of growth.

(b) Limitations

Line and staff organisation is not an unmixed blessing. It is a rose associated with thorns.

Some of the serious limitations of this type of organisation are as under

(i) Problem of conflict

The serious-most limitation of a line and staff organisation is, perhaps, the problem of conflict between line and staff; because of the conflicting attitudes of the two. This problem takes the soul out of the line and staff organisation; and creates a tense atmosphere in the organisational life; which puts a question mark on the very efficiency of this format of organisation.

(ii) Higher organisational costs

There are a large number of managers, in a line and staff organisation, consisting of line of and staff officers. This makes for quite a high cost of administration.

(iii) Problems of co-ordination

The problems of co-ordination are accentuated, in a line and staff organisation; as line and staff officers have their unique styles of functioning. Both are supposed to have their own approach and orientation towards organisational functioning.

(iv) Limited functional authority—a source of displeasure and misuse

In case, when some limited functional authority is granted to a staff spcialist; the subordinates in the line departments might be displeased with the same, because of an attack on their operational freedom. Further, an egoistic staff officer, endowed with functional authority, might even misuse the opportunity to unnecessarily dominate over the line subordinates.

(v) Over-dependence on staff services

Sometimes, line officers might develop a tendency for over-dependence on staff advice and services. This is likely to curb the initiative of the line officers, to think constructively for the betterment of the organisational life.

(C) MODERN TYPES OF ORGANISATIONS

On the basis of authority responsibility relationships, two very popular modern types of organisations are:

(I) Project organisation

(II) Matrix organisation

(I) Project organisation

(1) Introductory observations

Traditional organisational structures are unsuitable for undertaking big projects of a technical nature; under the present-day volatile and turbulent external environmental conditions. Hence, the need for a project organisational structure.

(2) Project organisation defined

George R. Terry defines a project organisation as follows “A project organisation is a preferred means whenever a well-defined project must be dealt with or the task is bigger than anything, the organisation is accustomed to".

(3) Functioning of project organisation

Under a project organisation, a team of specialists and workers is drawn from various functional areas, out of the permanent functional structure of the organisation—to work on a project. The project manager may taker assistance from outside sources also.

The project team functions under the overall control and leadership of the project manager. During the continuance of the project, functional managers renounce their authority over subordinates (comprised in the project team) in favour of the project manager.

(4) Conditions requiring a project organisation

Conditions requiring the creation of a project organisation are as follows:

i. Project is of a technical nature, requiring utmost precision and accuracy e.g. ship-building, designing and launching of satellites, aircraft manufacture etc.
ii. Project completion requires huge costs.
iii. Time factor is a critical factor; requiring project-completion within a limited prescribed time- Any delays in completion of project within time may tell upon the reputation of the organisations.

(6) Merits and limitations of the project organisation (a) Merits

Following are the chief merits of a project organisation:

(i) Concentrated attention on project work

In a project organisation, there is full and concentrated attention of the project manager on project work; as the project manager has no work other than attending to project management. He has full powers to co-ordinate and control project activities. In fact, during continuance of the project, functional managers renounce their authority over their project-team personnel, in favour of the project manager.

(ii) Advantages of team specialisation

The project team formed for purposes of undertaking project work consists of specialists drawn from many functional areas. This phenomenon makes available to the project organisation, the advantages of team specialisation.

(iii) Ability to cope with environmental influences

Due to the leadership of the project manager coupled with specialised knowledge of project team members; the project organisation is in a better position to cope with environmental challenges. In fact, one of the reasons for creating a project structure is to successfully combat environmental forces.

(iv) Timely completion of the project

The project organisation ensures a timely completion of projects; without disturbing the normal functioning of the whole organisation,

(b) Limitations

Following are the chief limitations of a project organisation.

(i) **Accentuated problems of co-ordination**

In a project organisation, there are increased problems of co-ordination; because of the diverse viewpoints of team specialists. As a matter of fact, specialists have a tendency to over-emphasize on their specialised viewpoints vis-a-vis the manner of project designing and implementation. This tendency of specialists creates a serious headache for the project manager, who, all the time, may be found busy in reconciling conflicting viewpoints of specialists—getting little time for attention towards project progress.

(ii) **Unclearly defined relationships**

Usually, in a project organisation, the relationships between the project manager and functional specialists are not very clearly defined. This situation may lead to tension between them; resulting in poor human relations, in the project organisation. Ultimately, the project work efficiency may be considerably reduced.

(iii) **Feeling of insecurity among personnel**

Usually, there is a feeling of uncertainty in the minds of the project team personnel as to where they will seek shelter; after a particular project (on which they were engaged) is over. This feeling of uncertainty about assignment creates a feeling of insecurity among personnel; and then they tend to unduly stretch the existing project work—causing delays in timely completion of the project

(iv) Duplication of effort

A project organisation suffers from the limitation of duplication of efforts, involved in the completion of project activities. When, e.g. in a project organisation more than one or two projects is/ are undertaken; it is quite likely that the same types of activities might be duplicated, during the completion of various projects. This phenomenon ultimately tells upon the overall organisational efficiency and profitability

(II) Matrix Organisation

(1) Introductory observations

When an enterprise undertakes a large number of small projects; a matrix organisation is more suitable. A matrix organisation is characterized by two major features:

(i) It undertakes a large number of small projects; and

(ii) There is a dual line of command, in a matrix organisation

(2) Matrix organisation defined

Matrix organisations may be defined as follows:

Matrix organisation is the imposition of a project structure over the permanent functional structure of the organisation; and members of the project team being subject to a dual line of command (that of the project manager and the concerned functional specialist whose department they originally belong toy forming a matrix or a grid. Hence called a matrix organisation.

Conceptually, a matrix organisation is illustrated below •

Matrix organisation = Dual line of command + matrix culture + matrix behaviour.

Following are cited a few definitions of matrix organisation:

"Matrix organisation represents a combination of functional departmental organisation and project organisation".

- **Fred Luthans**

"Matrix organisation is any organisation that employs a multiple command system, that includes not only the multiple command structure but also related mechanims and an associated organisational structure and behaviour pattern" - **SM. Davis and P.R. Lawrence**

(3) **Functioning of the matrix organisation:**

Under a matrix organisation project teams are formed; drawing personnel from the permanent functional structure. Different project managers share resources and authority with functional heads. The project team members are subject to a dual line of command— that of the project manager and the concerned functional specialist whose department they originally belong to during the continuance of the projects.

When one project is over, its personnel and resources are diverted to some new project; as undertaking a large number of small projects, is a typical features of a matrix organisation.

(4) Merits and limitations of the matrix organisation

(a) Merits

Following are the chief merits of a matrix organisation:

(i) Best utilisation of organisational resources

Under a matrix organisation, there is best utilisation of organisational resources manpower, machines, raw-materials, technology etc.; since after completion of one project the resources are diverted immediately to some new project. This avoids wastage of precious organisational resources; and adds to the overall profitability of the enterprise.

(ii) Flexible structure

The matrix structure is a flexible structure. It undertakes the completion of a large number of small projects. Depending on needs of environmental situations and other organisational factors; more projects could be undertaken by the organisation by forming additional project teams. Or alternatively, the number of projects undertaken by the enterprise may be limited or restricted to a small number, as is practical under the circumstances.

(iii) Development of personnel

Matrix organisation provides a system of organisational functioning; under which people learn new skills through involvement in many projects. This leads to development of personnel. In fact, a matrix organisation becomes a training ground for personnel for developing a diversity of professional skills.

(iv) Heightened motivation and morale of employees

Under a matrix organisation, the motivation and morale of people are heightened; as they have no problem of insecurity about job assignments. Immediately after the completion of one project, people are assigned to some new project. As such, people in a matrix organisation work with enthusiasm and dedication.

(b) Limitations

Following are chief limitations of a matrix organisation:

(i) Confusion caused by double line of command

The serious most limitation of a matrix organisation is the confusion caused by the double line of command; so that a project team member is always in a state of flux as to whose orders the project manager or the functional head—to obey first. This feature of 'double command system' creates a situation of 'shifting-loyalties'; and tells upon the operational efficiency of the project work.

(ii) The phenomenon of friction and passing the buck

In a matrix organisation, if, during the process of progress on project—work, something goes wrong somewhere; it becomes a problem for management to trace whose fault it is and where the difficulties actually lie. Project managers and functional heads believe in passing the buck to one another for wrongs done during the project work. Not only does it become difficult for management to take corrective action; but also conflicts develop between project managers and functional heads, which spoil human relations permanently.

(iii) Conflicts over division of authority and sharing of resources

In a matrix organisation, usually the authority relationships between project manager and functional heads are not properly defined. As such, there are conflicts between the two over the questions of division of authority vis-a-vis project team personnel, and sharing of organisational resources. This phenomenon, again, leads to spoiling human relations, in the organisation.

(iv) Increased paper work

In a matrix organisation, there is usually continuous communication—horizontally (from the project managers) and vertically (from the functional heads). This causes increased paper work. Because of conflicting communications from two quarters, completion of projects becomes costlier and time consuming.

(v) Problem of adjustment

In a matrix organisation, after the completion of one project, people are assigned to some new project. Many persons may face a problem of adjustment to the new project; because of entirely new conditions surrounding the new project. A best fit in one project, may be a misfit in a second project.

AUTHORITY AND RESPONSIBILITY

(A) CONCEPT OF AUTHORITY

Authority is the right vested in a managerial position; which enables the manager occupying that managerial position to command subordinates, to take decisions and to use organisational resources-all for the purpose of facilitating and ensuring the attainment of enterprise objectives.

On the basis of the above definition and the surrounding knowledge, we can infer the following salient features of the concept of authority:

1. Authority lies in managerial positions; and not in managers, in their personal capacities.
2. Authority is the key to a manager's job; without which no manager is enabled to command and instruct subordinates, for ensuring the attainment of enterprise objectives
3. Authority is hierarchical in nature i.e. the extent or amount of authority goes on declining as we come down the management hierarchy.

(B) CONCEPT OF RESPONSIBILITY

Responsibility is the reverse of authority. It is the obligation or duty or liability owed by a subordinate to the superior (who grants authority to the former) for the proper and efficient discharge of the job; for which authority has been granted to the former i.e. the subordinate.

In other words, when a subordinate is granted authority by a superior; the subordinate is answerable to the superior for the non-performance or poor performance of the assigned job. The essence of responsibility is a duty of explaining one's performance to one's superior.

On the basis of the above definition of responsibility and the surrounding knowledge; we can infer the following salient features of this concept:

1. Responsibility is a corollary of authority; and cannot exist independently.
2. Responsibility is a natural and logical duty of a subordinate to explain his performance to the superior; from whom the former derives authority.
3. Responsibility follows an anti-hierarchical route i.e. it proceeds from subordinates to superiors.
4. Responsibility is something fixed or absolute; and can never be delegated by any superior to any subordinate. In fact, it is a personal obligation of the person concerned.

(D) DISTINGUISHED BETWEEN AUTHORITY AND RESPONSIBILITY.

The two basic terms of management literature viz. authority and responsibility; which define, create and maintain - superior - subordinate relationships, in any group endeavor, could be distinguished as follows:

Meaning	Authority is a right vested in a managerial position, which enable the manager to command subordinates objectives.	Responsibility is a duty or obligation owed by a subordinate to the superior, from whom the former derives authority for the proper discharge of the assigned job.
Nature	Authority is primary	Responsibility is secondary or conditional. It is a corollary of authority; and cannot exist independently.
Flow	Authority flows from top to bottom via the management hierarchy.	Responsibility follows a reverse course It proceeds in an anti-hierarchical manner from subordinates to superior.
Location	Authority is formal and impersonal. It is vested in managerial positions; and not in managers in their personal capacities.	Responsibility is personal in nature. It is owed by persons to their superiors. It is not vested in managerial positions
Delegation	Authority is and can be delegated by superiors to their subordinates for organisational purposes.	Responsibility is something; which is fixed or absolute. In no case and to any extent can it be delegated by any manager to any subordinate.
Termination	Authority granted to a manager can be terminated by the superior.	Responsibility cannot be terminated; at least for the acts for which a person is already responsible to his superior.

CENTRALISATION AND DECENTRALISATION

Centralisation refers to concentration of authority with the top management. There would be no distribution of authority among the organisational units. All important decisions would be taken by the top management. The organisational members have to just follow them.

In a centralised setup the top management has complete authority. Other members of the organisation have no part in decision making. They are only expected to implement the decisions taken by the top management. For e.g. in a company, if the CEO alone has complete authority, in a college if the Principal takes decisions without any consultation, in a team if the Captain alone has decision making authority, they are clear cases of centralisation.

Definitions:

Louis A. Allen, "Centralisation is the systematic and consistent reservation of authority at central points within an organisation. Decentralisation applies to the systematic delegation of authority in an organisation-wide context."

Fayol, "Everything that goes to increase the importance of the subordinate's role is decentralisation, everything which goes to reduce it is centralisation".

Merits:

The following are the merits of centralisation:

1. It develops strong leadership.
2. It ensures discipline in the functioning of the organisation.
3. There is uniformity of policies. Procedures and plans.
4. Quick decision making is facilitated.
5. It is the best structure to handle emergency situations.
6. It is the ideal structure for organisations which are going through a crisis situation.
7. Efficient usage of facilities and resources.
8. It ensures order and efficiency in the functioning of the organisation.

Demerits:

The following arc the demerits of centralisation:

1. It may lead to autocracy.
2. Subordinates may lose the initiative to contribute towards the organisation.
3. Docs not facilitate development of future managers.
4. Leads to a situation of low motivation and morale.
5. It may lead to abuse of power and position.
6. It does not foster creativity and innovation.
7. Decisions taken may not be balanced.
8. The top management's time may be spent on taking routine decisions. It may not have time for strategic issues.
9. Difficult to implement Management By Exception.

Decentralisation:

Louis A. Allen, "Decentralisation refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points".

Koontz and O'Donnell, "Decentralisation of authority is a fundamental phase of delegation".

Decentralisation refers to the systematic delegation of authority within an organisation. The greater the amount of authority delegated, the more decentralised it is. It is a way of organisation which distributes authority to manageable decision units. The purpose is to achieve organisation goals in a more effective manner. Decentralisation would be effective if there is a balance between distribution of authority and control.

Difference between Centralisation and Decentralisation

1.	Centralisation refers to retention of authority with the top management.	Decentralisation refers to delegation of authority, responsibility and accountability to various levels of management.
2.	Downward flow of communication from superiors to subordinates.	Open and Free flow of communication among different divisions and levels of management.
3.	Centralisation is suitable when environment is stable.	Decentralisation is suitable when environment is complex and uncertain.
4.	Company has operations in a single location.	Company is geographically dispersed and operates in multiple locations.
5.	Higher burden on the chief executive and top management.	Lower burden on the chief executive and top management.
6.	Less importance to subordinates and more possibility of industrial disputes.	Increased importance to subordinates and lesser possibility of industrial disputes.
7.	No difficulty in co-ordination.	In a decentralised structure, there are many departments and there are difficulties in co-ordination.
8.	Applicable to small organisations.	Applicable to large organisations.
9.	Decision making power lies with the top management.	Decision making power is dispersed to the various divisions in the firm.

10.	Minimum autonomy and maximum restrictions on divisions of the firm.	Maximum autonomy and freedom to the various divisions of the firm.
11.	Easier to implement common policies, practices and procedures throughout the organisation.	Difficult to implement common policies and procedures in the organisation.
12.	Possible to achieve economies of scale. Prevents duplication of facilities.	Possibility of duplication of facilities and therefore diseconomies of scale.
13.	Lesser ability and flexibility to meet local customer requirements.	Better ability and flexibility for local responsiveness.
14.	Suitable when subordinates lack skills, experience, and initiative and prefer to be directed.	Suitable when subordinates are skilled, experienced have initiative and prefer to be self-directed.
15.	Bureaucratic set up with multiple layers of hierarchy.	Enables flat organisational structure.
16.	Wide span of control.	Narrow span of control.
17.	Decisions are slower and might be delayed.	Decisions are faster, timely and accurate.
18.	An organisation which has been developed by an individual's efforts tends to have a centralised structure.	Organisations which have grown through mergers, acquisitions are decentralised.
19.	If an organisation does not have talented managers it can adopt centralisation.	If an organisation has talented managers it can adopt decentralisation.

Merits of Decentralisation:

1. **Saving of management time:** The top management' need not burden itself with routine iss0cs. Routine issues can be handled by the lower management. The top management would be free to handle strategic issues like investment in new technology, expansion, diversification, mergers etc.
2. **Quick decisions:** Decentralisation enables quick decision making at appropriate levels. Quick decisions enable the organisation to achieve success.
3. **Better decisions:** Decisions are taken at the place of action where problems are faced. Therefore better and suitable decisions can be taken.
4. **Training of subordinates:** Sub-ordinates in a decentralised firm develop their skills and potential. It trains them to handle responsibilities and prepares them for higher position.
5. **Improves motivation:** The opportunity to do challenging work motivates employees. They are encouraged to contribute their best to the organisation. Employee's motivation and morale improves.
6. **Enables flat organisations:** Decentralisation results in less hierarchical levels. It makes the organisation flat. The organisation gets the benefits of a flat structure.
7. **Continuity of operations:** If superiors resign or retire, it would not affect a decentralised organisation. The sub-ordinates who are already trained can take up the higher responsibility.
8. **Aids growth:** Decentralisation enables an organisation to expand and diversify its operations. It aids in the fast growth of organisations. A diversified organisation can expand or diversify into different products, markets and services.
9. **Enables flexibility:** Decentralisation enables an organisation to adapt to the changing environment. It makes an organisation flexible and agile.
10. **Effective management of large firms:** In case of large firms, decentralisation is suitable. It would enable the firm to better manage its operations. It would also help in future growth.

Demerits of Decentralisation:

The following are the demerits of decentralisation:

1. **Difficulty in co-ordination:** Decentralisation might result in problems in co-ordination. It would be difficult to co-ordinate the activities of various units.
2. **Loss of control:** The organisation might lose control the various units. Lack of control might lead to inefficiencies, wastages, corruption and ultimately failure.
3. **Lack of focus on organisational goals:** Managers might give importance to achieving goals of their individual units. They may not give importance to achieving the goals of the organisation.
4. **Increased costs:** Decentralisation leads to duplication of facilities and work. This results in higher costs to the organisation.
5. **Crisis situations:** It would be difficult to manage emergency situations or crisis in case of decentralisation. There might be delay in decision making and the crisis might worse.
6. **Requires Capable Personnel:** Decentralisation requires capable employees to manage the decentralised units. For organisations which do not have required talent, decentralisation is unsuitable.
7. **Unsuitable for small firms:** Decentralisation leads to higher costs and require talented employees. It would be affordable and suitable only for large firms. It is unsuitable for small firms which lack resources.

DEPARTMENTATION

INTRODUCTION

Departmentation is an element of the organising process. It is a means of dividing the large and complex organisation into smaller and flexible administrative units. It involves horizontal differentiation of activities in an enterprise. A department is a distinct area, unit or sub-system of organisation over which a manager has authority for performance of specified activities. It is also known as division, branch. regiment, etc.

MEANING

Departmentation process is an essential part of organising process. The formal structure of organisation is created through the process of departmentation. Simply speaking it is a process of grouping of various activities into well-defined divisions or departments. Such departments or divisions operate under the control of a manager known as departmental head. He has adequate authority over the activities and he is ultimately responsible for the smooth functioning of the department.

By conducting the process of departmentation, the activity structure of an organisation is prepared. The activities so grouped up are placed horizontally and around these groups, authority structure is also created. The process of grouping related work activities into manageable units is departmentation. The purpose of departmentation is to contribute to more effective and efficient use of organisational resources.

DEFINITIONS

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."

In the words of **Louis Allen**, "Divisionalisation is a means of dividing the large and monolithic functional organisation into smaller flexible administrative units".

IMPORTANCE OF DEPARTMENTATION

Departmentation plays very important role in the entire process of organising. It is only with the help of this process, the structure of organisation is designed. Departmentation is required due to the following reasons:

1. Specialisation

Departmentation enables an enterprise to take advantage of specialisation. When every department looks after one major function of business, division of work becomes possible.

2. Fixation of Responsibility

Since similar activities are grouped in one department headed by departmental managers, it becomes easy for top managers to fix responsibility of respective managers for achieving the desired results. If planned performance is not achieved, the department responsible becomes answerable.

3. Smooth Functioning

Departmentation ensures clear division and grouping of various activities. It is interesting to observe that the various departments created through departmentation operate independently but in a related manner to contribute in smooth functioning of the whole organisation.

4. Facilitates coordination

Coordination is achieved through departmentation because the members of each department works on related jobs and tasks follow same departmental rules and reports to the same departmental

5. Encourages expansion and Growth

When organisation grows, the large number of activities has to be performed for achieving its goal. It requires proper grouping of these activities and creating departments for handling them so, the growth and expansion of organisational activities is possible through departmentation process

6. Easy Appraisal

Appraisal of managerial performance becomes easier when specific tasks are assigned to departmental personnel. The sources of information, the skills and competence required for total managerial decision can be located.

7. Effective Control

Managers cannot control organisational activities if all the activities have to be collectively supervised. Departmentation facilitates control by each departmental manager over the activities of his department only.

8. Leads to Specialisation

Departmentation process is also considered as a means of decentralisation. The creation of various departments and divisions which requires operational freedom in order to manage and administer business activities with the help of adequate authority.

9. Management Development

Departmentation facilitates communication, Coordination and control. It simplifies the training and development of executives by providing them opportunity to take independent decisions and to exercise initiative.

10. Flexibility

In large organisations, one person cannot look after all the managerial functions for all the departments. He cannot adjust his organisation to its internal and external environment. Such an organisation would become and inflexible organisation. Creating departments and departmental heads makes an organisation flexible and adaptive to environment.

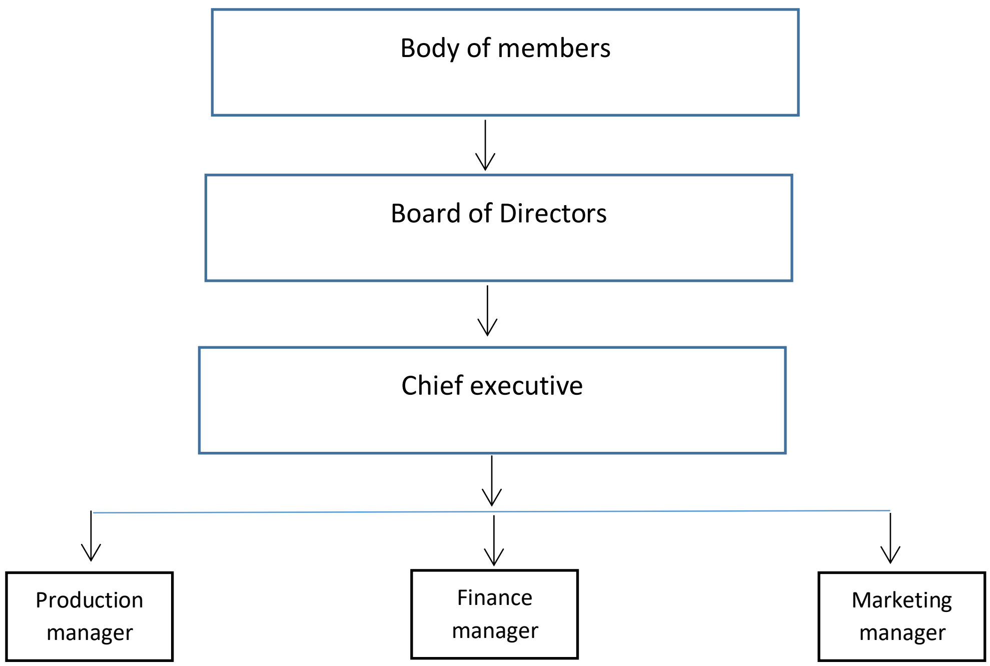
TYPES OF DEPARTMENTATION

There are several patterns or methods of departmentation, each of which is suitable for a particular situation. The following patterns may be used for grouping activities into departments:

1. Functional Departmentation
2. Product Departmentation
3. Territorial (Geographic) Departmentation
4. Departmentation by Customers
5. Departmentation by Process (or Equipment)
6. Departmentation by Combined Base
7. Departmentation by Time

1. Functional Departmentation

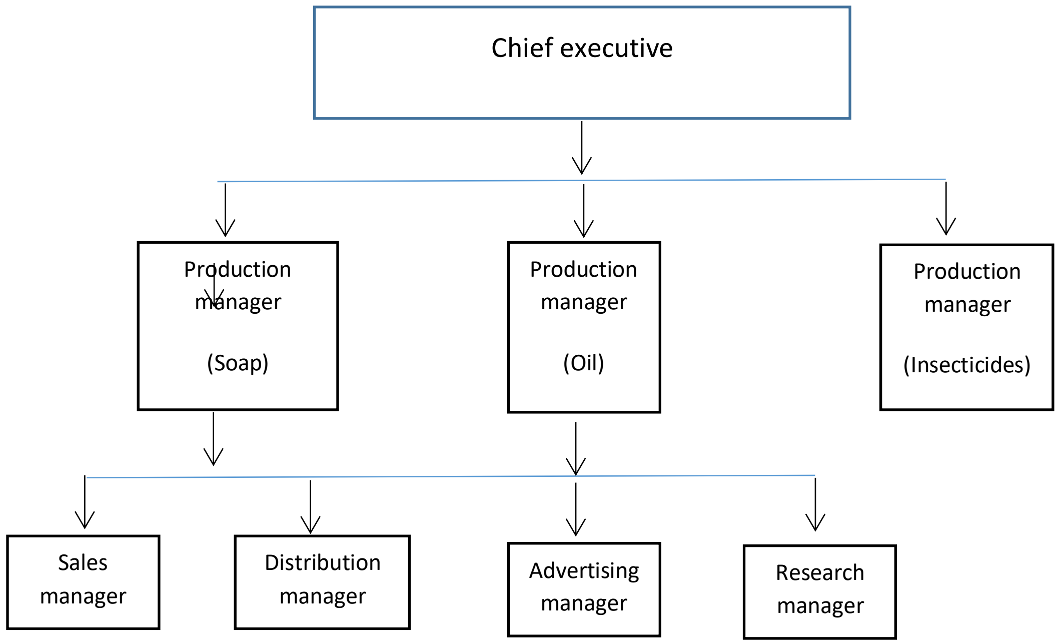
Under functional departmentation each major function of the enterprise grouped into a separate department. The major or organic functions are those which are essential to the survival of the organisation. In a manufacturing enterprise production, marketing and finance are the basic functions.



Functional Departmentation

2. Product Departmentation

Certain companies produce different varieties of products and it is advantageous to boost the sales on the basis Of product or product groups. A separate product manager is appointed for each product. He attends to the production and marketing of his products. When the market is competitive, the product type organisation with the product manager can concentrate its attention on the performance of a particular product or brand. Sales promotion, advertising, marketing research, etc., remain as the centralised activity for the product group.

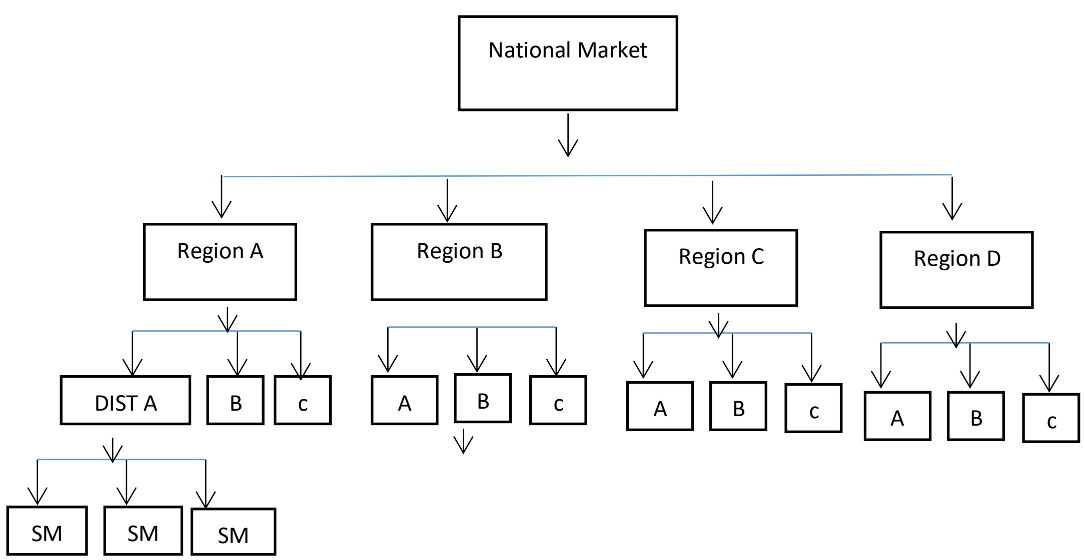


Product Departmentation

3. Territorial (Geographic) Departmentation

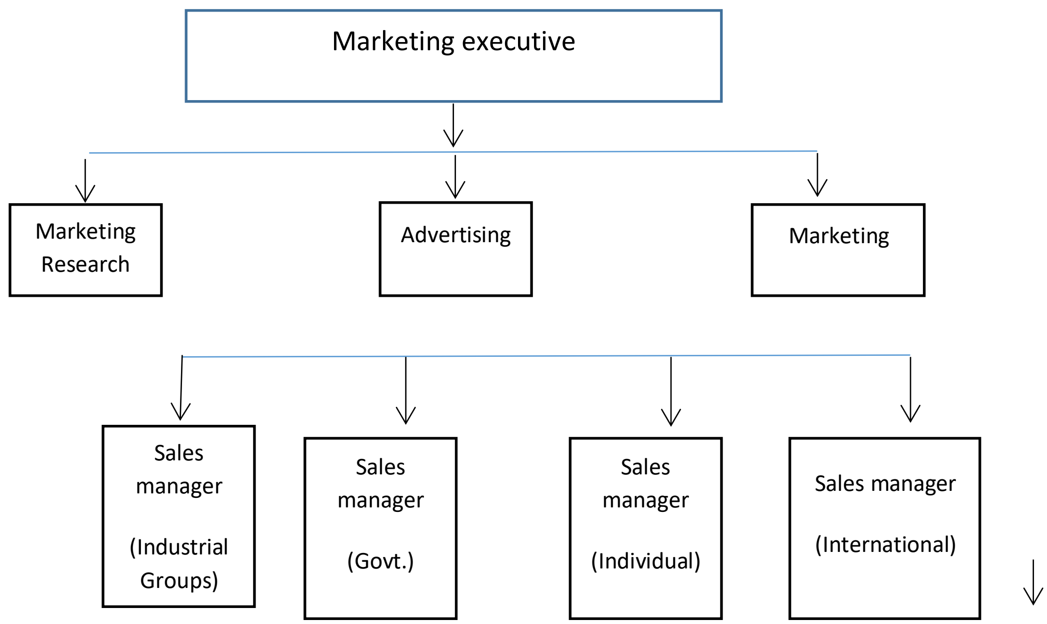
The structure is based on territorial or regional basis. When business activities are expanded, the various parts of the market area are divided into territories. The whole world into continents, continent into regions, region into zones, zone into districts, etc. This type of organisation gives importance to the consumer's needs and desire, especially in pharmaceutical companies.

In this way, the market is fragmented into different sales territories like national market into regions, region into districts, district into areas as shown in the chart next.



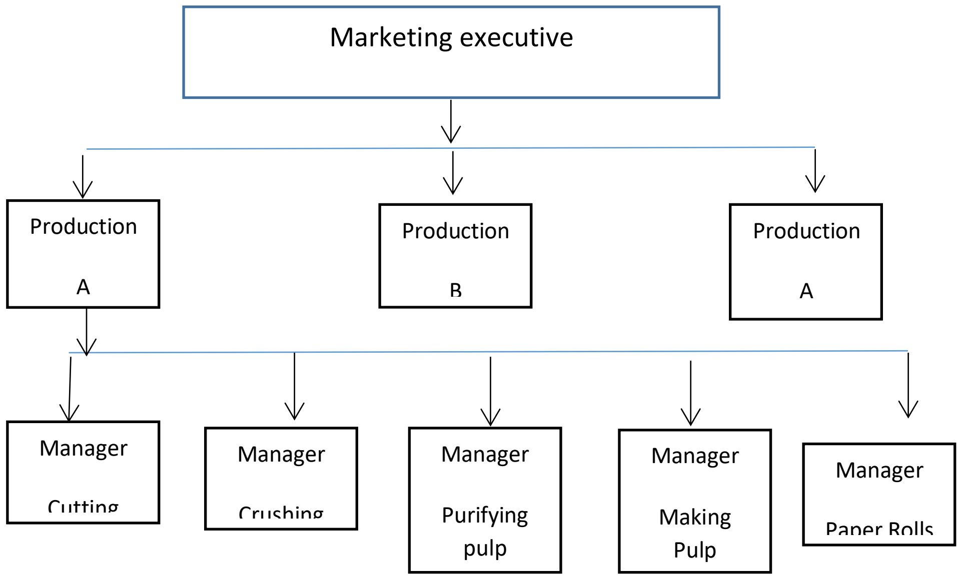
4. Departmentation by Customers

This type departmentation is based on the different types of customers. The enterprises have adopted customer-oriented marketing and thus there arise two sets of organisation through which the needs of customers or market are met; i.e., sub-division of markets on the basis of government and non-government customers, industrial individual customers, rich and poor customers and on the basis of sex, income, taste, age, etc. A firm may have different groups of customers, who have different needs and problems. Thus, each section can look into the needs of each group of consumers and facilitate their buying-wholesale section, etc.



5. Departmentation by Process (Equipment)

This pattern of grouping activities is often used by manufacturing organisation having an assembly line production or production system which may consists of various processes to be conducted in a logical sequence. For example, in cotton textile manufacturing organisation entire production system is marked by various processes such as ginning, spinning, weaving, dyeing, colouring and finishing.



Process Departmentation

6. Departmentation by Combined Base

Sometimes several basis of departmentation may be used simultaneously. For example, in a large manufacturing enterprise, functional departmentation may be adopted at the top level. Then the sales department may be grouped on the basis of products. Each product division may be divided on the basis Of territories and each territorial department on the basis Of customers. Such mixed departmentation is called combine or composite departmentation.

7. Departmentation by Time

This method of departmentation is used in situations where work is done round the clock because: (a) the machine cannot be stopped before finishing the work; (b) the demand is high; (c) the services are essential in nature, etc. The activities are grouped on the basis of time of their performance. For example, a factory operating Twenty-four hours may have three departments, one each for morning, day and night shifts.

UNIT - IV

DIRECTING

Meaning of Directing

Directing is the heart of management function. All other functions of management such as planning, organizing, and staffing have no importance without directing. Leadership, motivation, supervision, communication are various aspects of directing. Let us study the importance and principles of directing.

Definition of Directing

Directing refers to a process or technique of instructing, guiding, inspiring, counselling, overseeing and leading people towards the accomplishment of organizational goals. It is a continuous managerial process that goes on throughout the life of the organization.

Main characteristics of Directing are as follows:

1. Initiates Action

A directing function is performed by the managers along with planning, staffing, organizing and controlling in order to discharge their duties in the organization. While other functions prepare a platform for action, directing initiates action.

2. Pervasive Function

Directing takes place at every level of the organization. Wherever there is a superior-subordinate relationship, directing exists as every manager provides guidance and inspiration to his subordinates.

3. Continuous Activity

It is a continuous function as it continues throughout the life of organization irrespective of the changes in the managers or employees.

4. Descending Order of Hierarchy

Directing flows from a top level of management to the bottom level. Every manager exercises this function on his immediate subordinate.

5. Human Factor

Since all employees are different and behave differently in different situations, it becomes important for the managers to tackle the situations appropriately. Thus, directing is a significant function that gets the work done by the employees and increases the growth of the organization.

Elements of Directing:

1. Initiates Action

Each and every action in an organization is initiated only through directing. The managers direct the subordinates about what to do, how to do when to do and also see to it that their instructions are properly followed.

2. Ingrates Efforts

Directing integrates the efforts of all the employees and departments through persuasive leadership and effective communication towards the accomplishment of organizational goals.

3. Motivates Employees

A manager identifies the potential and abilities of its subordinates and helps them to give their best. He also motivates them by offering them financial and non-financial incentives to improve their performance.

4. Provides Stability

Stability is significant in the growth of any organization. Effective directing develops co-operation and commitment among the employees and creates a balance among various departments and groups.

5. Coping up with the Changes

Employees have a tendency to resist any kind of change in the organization. But, adapting the environmental changes is necessary for the growth of the organization. A manager through motivation, proper communication and leadership can make the employees understand the nature and contents of change and also the positive aftermaths of the change. This will help in a smooth adaptation of the changes without any friction between the management and employees.

6. Effective Utilization of Resources

It involves defining the duties and responsibilities of every subordinate clearly thereby avoiding wastages, duplication of efforts, etc. and utilizing the resources of men, machine, materials, and money in the maximum possible way. It helps in reducing costs and increasing profits.

Principles of Directing

1. Maximum Individual Contribution

One of the main principles of directing is the contribution of individuals. Management should adopt such directing policies that motivate the employees to contribute their maximum potential for the attainment of organizational goals.

2. Harmony of Objectives

Sometimes there is a conflict between the organizational objectives and individual objectives. For example, the organization wants profits to increase and to retain its major share, whereas, the employees may perceive that they should get a major share as a bonus as they have worked really hard for it.

Here, directing has an important role to play in establishing harmony and coordination between the objectives of both the parties.

3. Unity of Command

This principle states that a subordinate should receive instructions from only one superior at a time. If he receives instructions from more than one superiors at the same time, it will create confusion, conflict, and disorder in the organization and also he will not be able to prioritize his work.

4. Appropriate Direction Technique

Among the principles of directing, this one states that appropriate direction techniques should be used to supervise, lead, communicate and motivate the employees based on their needs, capabilities, attitudes and other situational variables.

5. Managerial Communication

According to this principle, it should be seen that the instructions are clearly conveyed to the employees and it should be ensured that they have understood the same meaning as was intended to be communicated.

6. Use of Informal Organization

Within every formal organization, there exists an informal group or organization. The manager should identify those groups and use them to communicate information.

There should be a free flow of information among the seniors and the subordinates as an effective exchange of information are really important for the growth of an organization.

7. Leadership

Managers should possess a good leadership quality to influence the subordinates and make them work according to their wish. It is one of the important principles of directing.

8. Follow Through

As per this principle, managers are required to monitor the extent to which the policies, procedures, and instructions are followed by the subordinates. If there is any problem in implementation, then the suitable modifications can be made.

SPAN OF MANAGEMENT

The number of subordinates that a superior can effectively supervise is known as span of management or span of control.

Factors Determining the Span of Management

1. Time required to be spent on Supervision

Every manager spends part of his time in doing the job personally. Thus, the sales manager must devote part of his time in contacting customers. Besides, every manager must also be busy for part of his time with administrative job of planning and policy-making not directly related to guiding the subordinates. Evidently the time left can be spent on supervising the work of subordinates. The more is the time required to be devoted to processes other than supervision, the narrower should be the span of management for such an administrative position.

2. Subordinate Training

A well trained subordinate is able to do his job quite successfully. Consequently the frequency and severity of superior-subordinate relation stands greatly reduced. Thus, a manager dealing with trained subordinates can afford to supervise a large number of them and operate with a wider span. But training becomes more and more difficult as one goes up the echelons of management hierarchy. At lower levels, it is much easier to identify the areas of training and develop suitable techniques for imparting it. At higher levels, on the other hand, it is difficult to discover what to teach and how to teach. Moreover, while relying upon ability and training of the subordinates as a factor influencing span of management, it should be remembered that training is a continuous process.

3. Delegation of Authority

In an enterprise which is effectively organized and structured, management is able to influence and minimize the frequency and severity of superior-subordinate relationships and thus increase its span. An organization poorly conceived consumer disproportionate time of the manager in counseling and guiding the subordinates. An important symptom of inefficient organization influencing span of management is to be found in ambiguous or inadequate delegation of authority. If a subordinate is not clear what he is expected to do or is called upon to do something beyond the scope of his authority, he will make more demand on the senior manager and hence operate to reduce his span. Where subordinates are delegated with authority sufficient to carry out the assigned duties and their authorities are clearly defined, i.e., well-trained subordinates would considerably reduce the time and attention of the senior and thus help to increase his span.

4. Degree of Decentralization

If a manger is to make many of the decisions himself, he will have less time to spare for supervising the work of his subordinates and hence operate with a narrow span. On the other hand, an executive operating under decentralized set-up is relieved of much of the burden of making programmed decisions and can afforded to supervise relatively a larger number of subordinates.

5. Similarity of Functions Supervised

Similarity or variety of function to be supervised by the manager also influences his span of supervisions. Here the executive manages similar functions (which are perhaps repetitive also). He becomes well versed with jobs and can handle a larger number of subordinates. On the contrary, activities and functions with a degree of variability and probably more complex in nature, increase inter-relationships and consumer more time of the executive to dispose them of and thus, warrant a fewer number of persons to be handled by the supervisor. The top level manager needs to work linger with each of his subordinates than the first line supervisor whim largely handles the routine problems.

6. Planning Required

This factor refers to the importance, complexity and time to be spent by the executive in reviewing the objectives, programming the actions and deciding number of policy matters. As the importance, complexity and time required of the manager in performing his planning function increases, it will be more prudent to reduce the number of subordinates reporting to him. However, availability of staff assistance and requirement to plan periodically and not on continuing basis will alter the position.

7. Use of Objective Standards

Supervising the subordinates requires that management must know how far plans are being followed and to what extent their performance tends to deviate from plans. He can know the deviations either by personal observation or through use of objective standards.

8. Territorial Contiguity of Functions Supervised

Where functions are geographically separated, supervision of components and personnel becomes more difficult and time-consuming. The manager must spend considerable time in visiting the separate units and make use of more time consuming formal means of communication. Geographic contiguity of functions supervises by the manager, therefore, operates to reduce his span of control.

9. Availability of Staff Assistance

Staff activities are not uncommon in business enterprises. When an organizations equipped with staff services, subordinates as a result, gain much of their guidance on methods, schedules and personnel problems from staff experts and thus, require fewer contracts with line managers, it is only when the staff fails to turn the show smoothly that the manager normally gets involved. Provision of staff assistance thus helps the executive to supervise a large number subordinates.

MOTIVATION

The word Motivation derives from the Latin word “Movere”. The Latin word “Movere” means “To move”, “To drive” or “To drive forward” etc.

Motivation can be defined as stimulating, inspiring and inducing the employees to perform to their best capacity. Motivation is a psychological term which means it cannot be forced on employees. It comes automatically from inside the employees as it is the willingness to do the work.

Joe Kelly defined Motivation as “Motivation is a process whereby needs instigate behavior directed towards the goals that can satisfy those needs.”

According to W. G. Scot, “Motivation means a process of stimulating people to action to accomplish the desired goals.”

Process of Motivation:

Motivation process begins when there is an unsatisfied need in a human being.

1. **Tension**. The presence of unsatisfied need gives him tension.
2. **Drive**. This tension creates an urge of drive in the human being an he starts looking for various alternatives to satisfy the drive.
3. **Search Behavior.** After searching for alternatives the human being starts behaving according to chosen option.
4. **Satisfied need.** After behaving in a particular manner for a long time then he evaluates that whether the need is satisfied or not.
5. **Reduction of tension**. After fulfilling the need the human being gets satisfied and his tension gets reduced.

TYPES OF MOTIVATION

1. **Achievement Motivation:** It is the drive to pursue and attain goals. An individual with achievement motivation wishes to achieve objectives and advance up on the ladder of success. Here, accomplishment is important for its own shake and not for the rewards that accompany it. It is similar to 'Kaizen' approach of Japanese Management.
2. **Affiliation Motivation:** It is a drive to relate to people on a social basis. Persons with affiliation motivation perform work better when they are complimented for their favorable attitudes and co-operation.
3. **Competence Motivation:** It is the drive to be good at something, allowing the individual to perform high quality work. Competence motivated people seek job mastery, take pride in developing and using their problem-solving skills and strive to be creative when confronted with obstacles. They learn from their experience.
4. **Power Motivation:** It is the drive to influence people and change situations. Power motivated people wish to create an impact on their organization and are willing to take risks to do so.
5. **Attitude Motivation:** Attitude motivation is how people think and feel. It is their self-confidence, their belief in themselves, their attitude to life. It is how they feel about the future and how they react to the past.
6. **Incentive Motivation:** It is where a person or a team reaps a reward from an activity. It is "You do this and you get that", attitude. It is the types of awards and prizes that drive people to work a little harder.
7. **Fear Motivation:** Fear motivation coercion's a person to act against will. It is instantaneous and gets the job done quickly. It is helpful in the short run.

LEADERSHIP

Leadership is a dynamic process, which deserves study. It is a relational process involving interactions among leaders, members and sometimes outside constituencies. Good leaders are made not born. If you have the desire and willpower, you can become an effective leader.

Good leaders develop through a never- ending process of self-study, education, training, and experience. To inspire your workers into higher levels of teamwork, there are certain things you must be, know,and, do. These do not come naturally, but are acquired through continual work and study. Good leaders are continually working and studying to improve their leadership skills; they are not resting on their laurels.

Leadership is a process by which a person influences others to accomplish an objective and directs the organization in away that makes it more cohesive and coherent. Leaders carry out this process by applying their leadership attributes, such as — beliefs, values, ethics, character, knowledge and skills.

Following are some of the characteristics of leadership:

1. **There must be Followers:**

A leadership cannot exist without followers. If a leader does not have followers, he cannot exercise his authority. Leadership exists both in formal and informal organisations.

2. **Working Relationship between Leaderand Followers:**

There must be a working relationship between the leader and his followers. It means that the leader should present himself in a place where the work is actually going on. Besides, the leader should be a dynamic person of the concerned group. If he is not so, he cannotget things done.

3. **Personal Quality:**

The character and behaviour of a man influence the works of others.

4. **Reciprocal Relationship:**

Leadership kindles a reciprocal relationship between the leader and hisfollowers. A leader can influence his followers and, in turn, the followers caninfluence the leader. The willingness of both the leader and the followers is responsible for the influence and no enforcement is adopted.

5. **Community of Interests:**

There must be community of interests between the leader and his followers. A leader has his own objectives. The followers have their own objectives. They are moving in different directions in the absence of community of interests. It is not advisable. It is the leader who should try to reconcile the different objectives andcompromise the individual interests with organisation interests.

6. **Guidance:**

A leader guides his followers to achieve the goals of the organisation. A leader should take steps to motivate his followersfor this purpose.

7. **Related to a Particular Situation:**

Leadership is applicable to a particular situation at a given point of time. It variesfrom time to time.

8. **Shared Function:**

Leadership is a shared function. A leader is also working along with his followers to achieve the objectives of the organisation.Besides, the leader shares his experience, ideas and views with his followers.

9. **Power Relationship:**

A leader has powers to exercise over his followers. The leader derives these powersfrom the organisation hierarchy, superior know-ledge, experience and the like.

COMMUNICATION

Communications is fundamental to the existence and survival of humans as well as to an organization. It is a process of creating and sharing ideas, information, views, facts, feelings, etc. among the people to reach a common understanding. Communication is the key to the Directing function of management.

A manager may be highly qualified and skilled but if he does not possess good communication skills, all his ability becomes irrelevant. A manager must communicate his directions effectively to the subordinates to get the work done from them properly.

Process of Communications

Communications is a continuous process which mainly involves three elements viz. sender, message, and receiver. The elements involved in the communication process are explained below in detail:

1. Sender

The sender or the communicator generates the message and conveys it to the receiver. He is the source and the one who starts the communication

2. Message

It is the idea, information, view, fact, feeling, etc. that is generated by the sender and is then intended to be communicated further.

3. Encoding

The message generated by the sender is encoded symbolically such as in the form of words, pictures, gestures, etc. before it is being conveyed.

4. Media

It is the manner in which the encoded message is transmitted. The message may be transmitted orally or in writing. The medium of communication includes telephone, internet, post, fax, e-mail, etc. The choice of medium is decided by the sender.

5. Decoding

It is the process of converting the symbols encoded by the sender. After decoding the message is received by the receiver.

6. Receiver

He is the person who is last in the chain and for whom the message was sent by the sender. Once the receiver receives the message and understands it in proper perspective and acts according to the message, only then the purpose of communication is successful.

7. Feedback

Once the receiver confirms to the sender that he has received the message and understood it, the process of communication is complete.

8. Noise

It refers to any obstruction that is caused by the sender, message or receiver during the process of communication. For example, bad telephone connection, faulty encoding, faulty decoding, inattentive receiver, poor understanding of message due to prejudice or inappropriate gestures, etc.

Importance of Communication

1. The Basis of Co-ordination

The manager explains to the employees the organizational goals, modes of their achievement and also the interpersonal relationships amongst them. This provides coordination between various employees and also departments. Thus, communications act as a basis for coordination in the organization.

2. **Fluent Working**

A manager coordinates the human and physical elements of an organization to run it smoothly and efficiently. This coordination is not possible without proper communication.

3. **The Basis of Decision Making**

Proper communication provides information to the manager that is useful for decision making. No decisions could be taken in the absence of information. Thus, communication is the basis for taking the right decisions.

4. **Increases Managerial Efficiency**

The manager conveys the targets and issues instructions and allocates jobs to the subordinates. All of these aspects involve communication. Thus, communication is essential for the quick and effective performance of the managers and the entire organization.

5. **Increases Cooperation and Organizational Peace**

The two-way communication process promotes co-operation and mutual understanding amongst the workers and also between them and the management. This leads to less friction and thus leads to industrial peace in the factory and efficient operations.

6. **Boosts Morale of the Employees**

Good communication helps the workers to adjust to the physical and social aspect of work. It also improves good human relations in the industry. An efficient system of communication enables the management to motivate, influence and satisfy the subordinates which in turn boosts their morale and keeps them motivated.

Types of Communication

1. Formal Communication

Formal communications are the one which flows through the official channels designed in the organizational chart. It may take place between a superior and a subordinate, a subordinate and a superior or among the same cadre employees or managers. These communications can be oral or in writing and are generally recorded and filed in the office.

Formal communication may be further classified as Vertical communication and Horizontal communication.

Vertical Communication

Vertical Communications as the name suggests flows vertically upwards or downwards through formal channels. Upward communication refers to the flow of communication from a subordinate to a superior whereas downward communication flows from a superior to a subordinate.

Application for grant of leave, submission of a progress report, request for loans etc. are some of the examples of upward communication. Sending notice to employees to attend a meeting, delegating work to the subordinates, informing them about the company policies, etc. are some examples of downward communication.

Horizontal Communication

Horizontal or lateral communication takes place between one division and another. For example, a production manager may contact the finance manager to discuss the delivery of raw material or its purchase.

Types of communication networks in formal communication*:*

- **Single chain:** In this type of network communications flows from every superior to his subordinate through a single chain.
- **Wheel:** In this network, all subordinates under one superior communicate through him only. They are not allowed to talk among themselves.
- **Circular:** In this type of network, the communication moves in a circle. Each person is able to communicate with his adjoining two persons only.
- **Free flow:** In this network, each person can communicate with any other person freely. There is no restriction.

- **Inverted V:** In this type of network, a subordinate is allowed to communicate with his immediate superior as well as his superior's superior also. However, in the latter case, only ordained communication takes place.

2. **Informal Communication**

Any communication that takes place without following the formal channels of communication is said to be informal communication. The Informal communication is often referred to as the 'grapevine' as it spreads throughout the organization and in all directions without any regard to the levels of authority.

The informal communication spreads rapidly, often gets distorted and it is very difficult to detect the source of such communication. It also leads to rumors which are not true. People's behavior is often affected by the rumors and informal discussions which sometimes may hamper the work environment.

However, sometimes these channels may be helpful as they carry information rapidly and, therefore, may be useful to the manager at times. Informal channels are also used by the managers to transmit information in order to know the reactions of his/her subordinates.

UNIT – V

Controlling-Definition-Principles-Controlling Process-Types Of Controls –Controls Techniques –Coordination.

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MEANING OF CONTROLLING

One of the most essential qualities required in a manager is that he should command the respect of his team. This allows him to direct and control their actions. In fact controlling is one of his more important functions.

It is defined as a management function which aims at ensuring that organisational activities are performed as planned by comparing the actual execution with the plans made. Further, on comparison, if any deviations are found, then controlling also finds out the reasons for such deviations and suggests remedial actions.

George R. Terry defined “controlling is determining what is being accomplished, that is evaluating the performance and, if necessary, applying corrected measures so that the performance takes place according to plans.”

Nature of Controlling:

1. Control is a Function of Management:

Actually control is a follow-up action to the other functions of management performed by managers to control the activities assigned to them in the organisation.

2. Control is based on Planning:

Control is designed to evaluate actual performance against predetermined standards set-up in the organisation. Plans serve as the standards of desired performance. Planning sets the course in the organisation and control ensures action according to the chosen course of action in the organisation.

3. Control is a Dynamic Process:

It involves continuous review of standards of performance and results in corrective action, which may lead to changes in other functions of management.

4. Information is the Guide to Control:

Control depends upon the information regarding actual performance. Accurate and timely availability of feedback is essential for effective control action. An efficient system of reporting is required for a sound control system. This requires continuing monitoring and review of operations.

5. The Essence of Control is Action:

The performance of control is achieved only when corrective action is taken on the basis of feedback information. It is only action, which adjust performance to predetermined standards whenever deviations occur. A good system of control facilities timely action so that there is minimum waste of time and energy.

6. It is a Continuous Activity:

Control is not a one-step process but a continuous process. It involves constant revision and analysis of standards resulting from the deviations between actual and planned performance.

7. Delegation is the key to Control:

An executive can take corrective action only when he has been delegated necessary authority for it. A person has authority to control these functions for which he is directly accountable. Moreover, control becomes necessary when authority is delegated because the delegator remains responsible for the duty. Control standards help a manger expand his span of management.

8. Control Aims at Future:

Control involves the comparison between actual and standards. So corrective action is designed to improve performance in future.

9. Control is a Universal Function of Management:

Control is a basic or primary function of management. Every manager has to exercise control over the subordinates’ performance, no manager can get things done without the process of controlling. Once a plan becomes operational, follow-up action is required to measure progress, to uncover deficiencies and to take corrective actions.

Therefore, control is an essential managerial function at every level. The process of management is incomplete without controlling.

10. Controlling is Positive:

The function of controlling is positive. It is to make things happen i.e. to achieve the goal with instead constraints, or by means of the planned activities. Controlling should never be viewed as being negative in character.

PRINCIPLES OF CONTROLLING:

The followings are the principles of controlling:

1. Objectives:

Controls must positively contribute to the achievement of group goals by promptly and accurately detecting deviations from plans with a view to making corrective action possible.

2. Interdependence of Plans and Controls:

The principles of interdependence states that more the plans are clear, complete and integrated, and the more that controls are designed to reflect such plans, the more effectively controls will serve the need of managers.

3. Control Responsibility:

According to this principle, the primary responsibility for the exercise of controls rests in the manager charged with the performance of the particular plans involved.

4. Principal of Controls being in Conformity to Organisation Pattern:

Controls must be designed so as to reflect the character and structure of plans. If the organisation is clear and responsibility for work done is well defined, control becomes more effective and it is simple to isolated persons responsible for deviations.

5. Efficiency of Controls:

Control techniques and approaches are effectively detect deviations from plans and make possible corrective actions with the minimum of unsought consequences.

6. Future-oriented Controls:

It stresses that controls should be forward looking. Effective controls should be aimed at preventing present and future deviations from plans.

7. Individuality of Controls:

Control should be designed to meet the individual requirements of managers in the organisation. Although some control techniques and information can be utilized in the same form by various types of enterprises and managers as a general rule controls should be tailored to meet the specific requirements.

8. Strategic Point Control:

Effective and efficient control requires that attention to be given to those factors which are strategic to the appraisal of performance.

9. The Exception Principle:

The exception principles whereby exceptions to the standards are notified, should be adopted. Note must be taken of the varying nature of exceptions, as “small” exceptions in certain areas may be of greater significance than ‘larger’ exceptions elsewhere.

10. Principal of Review:

The control system should be reviewed periodically. The review exercise may take some or all the points emphasized in the above stated principles. Besides, flexibility and economical nature or controls, should not be lost sight of while reviewing controls.

IMPORTANCE OF CONTROLLING

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

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

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

3. **Making Efficient use of Resources** Another important function of controlling is that in this, each activity is performed insuch manner so an in accordance with predetermined standards & norms so as toensure that the resources are used in the most effective & efficient manner for the further availability of resources.

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

5. **Ensuring Order & Discipline** Controlling creates an atmosphere of order & discipline in the organization whichhelps to minimize dishonest behavior on

the part of the employees. It keeps a close check on the activities of employees and the company can be able to track and find out the dishonest employees by using computer monitoring as a part of their control system.

6. Facilitating Coordination in Action

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

PROCESS OF CONTROLLING

Control process involves the following steps as shown in the figure:

1. **Establishing standards:** This means setting up of the target which needs to be achieved to meet organizational goals eventually. Standards indicate the criteria of performance. Control standards are categorized as quantitative and qualitative standards. Quantitative standards are expressed in terms of money. Qualitative standards, on the other hand, includes intangible items.

2. **Measurement of actual performance:** The actual performance of the employee is measured against the target. With the increasing levels of management, the measurement of performance becomes difficult.

3. **Comparison of actual performance with the standard:** This compares the degree of difference between the actual performance and the standard.

4. **Taking corrective actions:** It is initiated by the manager who corrects any defects in actual performance. Controlling process thus regulates companies' activities so that actual performance conforms to the standard plan. An effective control system enables managers to avoid circumstances which cause the company's loss.

Types of control

There are three types of control viz.,

1**. Feedback Control**: This process involves collecting information about a finished task, assessing that information and improvising the same type of tasks in the future.

2**. Concurrent control**: It is also called real-time control. It checks any problem and examines it to take action before any loss is incurred.

3**. Predictive/ feedforward control**: This type of control helps to foresee problem ahead of occurrence. Therefore action can be taken before such a circumstance arises.

In an ever-changing and complex environment, controlling forms an integral part of the organization.

Advantages of controlling

1. Saves time and energy

Allows managers to concentrate on important tasks. This allows better utilization of the managerial resource.

2. Helps in timely corrective action to be taken by the manager.

3. Managers can delegate tasks so routinely chores can be completed by subordinates.

On the contrary, controlling suffers from the constraint that the organization has no control over external factors. It can turn out to be a costly affair, especially for small companies.

Techniques of Controlling

1. Direct Supervision and Observation

'Direct Supervision and Observation' is the oldest technique of controlling. The supervisor himself observes the employees and their work. This brings him in direct contact with the workers. So, many problems are solved during supervision. The supervisor gets first-hand information, and he has better understanding with the workers. This technique is most suitable for a small-sized business.

2. Financial Statements

All business organisations prepare Profit and Loss Account. It gives a summary of the income and expenses for a specified period. They also prepare Balance Sheet, which shows the financial position of the organisation at the end of the specified period. Financial statements are used to control the organisation. The figures of the current year can be compared with the previous year's figures. They can also be compared with the figures of other similar organisations.

Ratio analysis can be used to find out and analyse the financial statements. Ratio analysis helps to understand the profitability, liquidity and solvency position of the business.

3. Budgetary Control

A budget is a planning and controlling device. Budgetary control is a technique of managerial control through budgets. It is the essence of financial control. Budgetary control is done for all aspects of a business such as income, expenditure, production, capital and revenue. Budgetary control is done by the budget committee.

4. Break Even Analysis

Break Even Analysis or Break Even Point is the point of no profit, no loss. For e.g. When an organisation sells 50K cars it will break even. It means that, any sale below this point will cause losses and any sale above this point will earn profits. The Break-even analysis acts as a control device. It helps to find out the company's performance. So the company can take collective action to improve its performance in the future. Break-even analysis is a simple control tool.

5. Return on Investment (ROI)

Investment consists of fixed assets and working capital used in business. Profit on the investment is a reward for risk taking. If the ROI is high then the financial performance of a business is good and vice-versa.

ROI is a tool to improve financial performance. It helps the business to compare its present performance with that of previous years' performance. It helps to conduct inter-firm comparisons. It also shows the areas where corrective actions are needed.

6. Management by Objectives (MBO)

MBO facilitates planning and control. It must fulfill following requirements:-

1. Objectives for individuals are jointly fixed by the superior and the subordinate.

2. Periodic evaluation and regular feedback to evaluate individual performance.
3. Achievement of objectives brings rewards to individuals.

7. Management Audit

Management Audit is an evaluation of the management as a whole. It critically examines the full management process, i.e. planning, organising, directing, and controlling. It finds out the efficiency of the management. To check the efficiency of the management, the company's plans, objectives, policies, procedures, personnel relations and systems of control are examined very carefully. Management auditing is conducted by a team of experts. They collect data from past records, members of management, clients and employees. The data is analysed and conclusions are drawn about managerial performance and efficiency.

8. Management Information System (MIS)

In order to control the organisation properly the management needs accurate information. They need information about the internal working of the organisation and also about the external environment. Information is collected continuously to identify problems and find out solutions. **MIS** collects data, processes it and provides it to the managers. MIS may be manual or computerised. With MIS, managers can delegate authority to subordinates without losing control.

9. PERT and CPM Techniques

Programme Evaluation and Review Technique (**PERT**) and Critical Path Method (**CPM**) techniques were developed in USA in the late 50's. Any programme consists of various activities and sub-activities. Successful completion of any activity depends upon doing the work in a given sequence and in a given time.

CPM / PERT can be used to minimise the total time or the total cost required to perform the total operations.

Importance is given to identifying the critical activities. Critical activities are those which have to be completed on time otherwise the full project will be delayed.

So, in these techniques, the job is divided into various activities / sub-activities. From these activities, the critical activities are identified. More importance is given to completion of these critical activities. So, by controlling the time of the critical activities, the total time and cost of the job are minimized.

10. Self-Control

Self-Control means self-directed control. A person is given freedom to set his own targets, evaluate his own performance and take corrective measures as and when required. Self-control is especially required for top level managers because they do not like external control.

The subordinates must be encouraged to use self-control because it is not good for the superior to control each and everything. However, self-control does not mean no control by the superiors. The superiors must control the important activities of the subordinates.

COORDINATION:

Definition: Coordination can be described as that invisible cord, which runs through all the activities of the organization and binds them together. It is not a function of the management, rather it is the **essence of management**, which is needed at all levels and at each step of the firm, to achieve the objectives of the organization.

Need for Coordination

We all are aware of the fact that there are several departments in an organization, such as Finance, Purchase, Production, Sales, Human Resource, Marketing, Research and Development etc. and the work of all the departments are interlinked and interdependent. Further, there are three levels in organizational hierarchy, wherein:

1. **Top-level**: Comprises of the Board of Directors, Chief Executives, Managing Directors, etc.
2. **Middle-Level**: Comprises of departmental heads and managers.

3. **Lowest-Level**: Comprises of supervisors, first-line managers and foreman.

"**Techniques of Co-Ordination: To be Used by Every Manager**

Every manager must remove the obstacles that deter coordination by adopting the following specific techniques:

1. Chain of Command:

This technique also emphasizes that an employee should receive orders form one superior only because dual command is a continuous source of conflict. Management has to exercise authority to regulate the performance of different departments because clear cut authority relationship help in reducing conflicts among different departments.

2. Leadership:

Co-ordination becomes possible through leadership as it provides individual motivation and persuades the group to have an identity of interests and outlook in group efforts. To achieve the common objectives of an enterprise, the manager must guide and co-ordinate the activities of his subordinates.

3. Committees:

This Technique of achieving co-ordination is used in most organisations by forming a committee. Which helps to promote unity of purpose and uniformity of action among different departments. A committee is a group of persons and the decisions of the committee are group decisions which provide co-ordination among various activities and persons through information, advice interchange of ideas etc., while forming the committee utmost care must be taken by the management, otherwise, the decisions taken by the group may not be effective to achieve co-ordination in an enterprise.

4. Communication:

Effective communication conveys ideas, opinions or decisions of managers to subordinate at different levels of the organization and carries back information, suggestions' and responses from subordinates. It regulates the flow of work, co-ordinates the efforts of the subordinates of an enterprise.

To be effective, communication must be as direct as possible so as to minimize the chances of misinterpretation. To ensure proper co-ordination, various kinds of communication channels may be used, such as verbal relay of information, written reports memos or other forms of documents, mechanical devices such as teletypes, intercommunication system, etc.

5. Voluntarily Coordination:

Self-co-ordination or voluntary co-ordination is possible in a climate of mutual co-operation, when two or more persons working within the same or different departments, mutually discuss their problems and arrive at a coordinated action. This can be easily achieved in any organization, when the supervisor gives his consent without any hesitation for such a mutual consultation among subordinates.

6. Sound Planning and Clear-Cut Objectives:

The objectives of the organization and policies must be clearly defined by the management. A well-conceived plan must clearly define the goals of the organization so that inter-departmental objectives can be accomplished. Thus to ensure co-ordination, clear formulation of policies in the field of production, sales, finance, personnel, etc., must be correlated.

7. Incentives:

Incentives have a tendency to ignite action and bring about co-ordination. In order to infuse enthusiasm in a worker for greater and better work, incentives have a distinct and significant role. Financial incentives which include wage, bonus, salary, etc., and no-financial incentives which include job security of interest, to achieve co-ordination and to reduce conflicts."