

# CHAPTER 1

## NATURE OF MANAGEMENT

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- 1.0 Objectives
- 1.1 Introduction
- 1.2 Management: Meaning and Definition
- 1.3 Nature of Management
- 1.4 Importance of Management
- 1.5 Functions of Management
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- 1.13 Suggested Readings

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### 1.0 OBJECTIVES

After studying this chapter you will be able to -

- Explain the concept of business management
- State the functions of management
- Describe the nature and Importance of management.
- Discuss whether Management is an Art, Science or Profession.

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### 1.1 INTRODUCTION

In the modern times one of the most important human activities is managing group of people. Ever since people began forming groups to accomplish aims they could not achieve as individuals, managing has been essential to ensure the co-ordination of individual efforts. As society has come to rely increasingly on group effort and as many organized groups have become large the task of managers has been rising in importance.

Management is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims.

The basic definition of Management explain that

- \* As managers, people carry out the managerial functions of planning organizing, staffing, leading and controlling.
- \* Management applies to any kind of organization.
- \* It applies to managers at all organizational levels.
- \* The aim at all managers is the same to create a surplus.
- \* Managing is concerned with productivity, which implies effectiveness and efficiency.

Thus it may be concluded that management plays a key role in improving standard of living of the people in the society through developing an ideal organizational structure and making economic use of available resources.

The knowledge of management theory and practice enables managers to take more realistic view about organizational and social problems and to find out their effective solution.

### Check your Progress - 1.1

**a. Fill in the blanks.**

1. One of the most important human ..... is managing.
2. Management is the ..... of designing and maintaining an environment in which individual working together in groups efficiently accomplish selected aims.

**b. True or false.**

1. Management applies to small organization.
2. Management applies to managers at all organizational levels.

## 1.2 MANAGEMENT

### Meaning:

Management is an important factor for the success of any organized activity. Today management basically concern with changes and challenges, and it is difficult to manage.

Management is an art of getting things done through others. Management is to plan, organize, direct and control the resources of the organization for obtaining common objectives or goals. It is related with resources like material, money, machinery, methods, manufacturing and marketing.

Management principles are universal in nature. Management is necessary for all types of organization, such as public sector, private sector, govt. department, hotel, hospital, hostels, educational institutes, require management for several growth and expansion.

### Definitions:

**1) According to Taylor:-**

“Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.”

**2) According to Lawrence:-**

“Management is the accomplishment of results through the efforts of other people.”

**3) According to Henry Fayol:-**

“To manage is to forecast and to plan, to organize, to co-ordinate and to control.”

### Check Your Progress - 1.2

**Fill in the blanks:**

1. .... is an art of getting things done through others.
2. Management principles are ..... in nature.

## 1.3 NATURE OF MANAGEMENT

1. Management is an activity
2. Management is a purposeful activity.
3. Management is concerned with the efforts of a group

4. Management applies economic principles.
5. Management involves decision making.
6. Management is getting things done through others.
7. Management is an integrating process.
8. Management co-ordinates all activities and resources.
  1. Management is a universal activity.
  2. Management is dynamic not rigid.

## 1.4 IMPORTANCE OF MANAGEMENT

### 1] Management is goal oriented:-

Management is concern with achievement of specific goals. It is always directed towards achievement of objectives. The success of management is measured by the extent to which objectives are achieved.

### 2] Management is associated with group efforts:-

The business comes into existence with certain objectives which are to be achieved by a group and not by one person alone. Management gets things done by, with and through the efforts of group members. It co-ordinates the activities and actions of its members towards a common goal.

### 3] Management is intangible:-

It is an unseen force, its presence can be evidence by the result of its efforts up to date order but they generally remain unnoticed, Where as mismanagement is quickly noticed.

### 4] Management is an activity and not a person or group of person:-

Management is not people or not a certain class but it is the activity, it is the process of planning, organizing, directing and controlling to achieve the objectives of the organization.

### 5] Management is situational:-

Management does not advice best way of doing things. Effective management is always situational. A manager has to apply principles, approaches and techniques of management after taking into consideration the existing situations.

### 6] Management is universal:-

Most of the principles and techniques of management are universal in nature. They can be applied to government organization, military, educational institutes, religious institutes etc. They provide working guidelines which can be adopted according to situations.

### 7] Management is concern with people:-

Since management involves getting things done through others only human being performed this activity with the help of planning and control. The element man can not be separated from the management.

### 8] Management is the combination of art, science and profession:-

Management makes use of science as well as art. It is science because it collects knowledge with the methods and data, analyzes and measures it and decision is taken with the help of experiment. It is a systematic body of knowledge. Art means application of knowledge for solving various problems. In modern times there is separation of ownership and management, so professional experts are appointed.

### 1.4. Check your progress:

#### a) State True or False:

1. Management is intangible.
2. Management is concerned with people.
3. Management is not a combination of an art, a science and a profession.

## 1.5 FUNCTIONS OF MANAGEMENT

The major functions of management are discussed below:

### Planning :

It includes forecasting, formation of objectives, policies, programmes, producer and budget. It is a function of determining the methods or path of obtaining these objectives. It determines in advance what should be done, why should be done, when, where, how should be done. This is done not only for organization as a whole but also for every division, section and department. Planning is thinking before doing.

### Organizing:-

It includes departmentation, delegation of authority, fixing of responsibility and establishment of relationship.

It is a function of providing every thing useful to the business organization. There are certain resources which are mobilize i.e. man, machine, material, money, but still there are certain limitations on these resources. A manager has to design and develop a structure of various relations. This structure, results from identification and grouping work, delegation of authority and responsibility and establishing relationship.

### Staffing:-

It includes man power planning, recruitment, selection, placement and training.

People are basically responsible for the progress of the organization. Right man should be employed for right job. It also involved training of personnel and proper remuneration.

### Directing:-

It includes decision making, supervising, guidance etc. It reflects providing dynamic leadership. When the manager performs these functions, he issues orders and instructions to supervisors. It also implies the creation of a favorable work, environment motivation, managing managers, managing workers and managing work environment.

### Communication:-

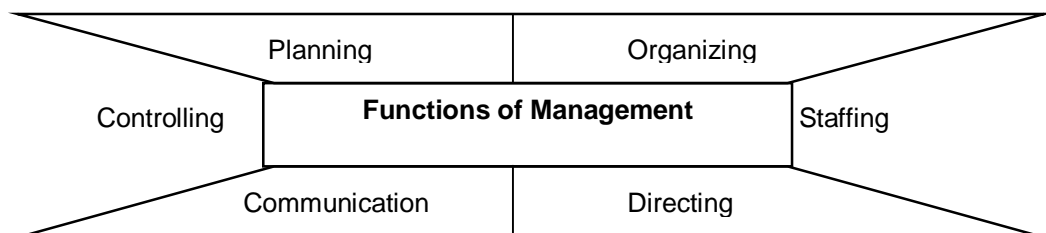
Communication provides the vital link in any organization. Every successful manager has to develop an effective system of communication.

Communication means exchange of facts, ideas and information between two or more person. It helps in building up high moral.

### Controlling:-

It is a process of checking actual performance against standard performance. If there is any difference or deviation then these differences should be detected and necessary steps should be taken. It involves three elements:

1. Establishing standard of performance.
2. Measuring actual performance with establishment.
3. Finding out reasons for deviation.



Management includes planning, organizing, staffing and decision making, motivation, communication, co-ordination and so on.

**The other functions of management are as follows:**

### **Motivation:-**

In a well organization unforeseen problems are created. It becomes necessary for the workers to have a leader, to whom they can consult for the guidance. One must help the worker to solve their problems. The manager is the leader for them. So he should accept the problems, should appreciate the workers for the work done by them. He has to act as a well motivation source for he workers.

### **Decision Making:-**

It is the process in which a lot of actions are involved and lot of alternatives are available. A manager has to choose right alternative for attainment of his goals. There are many decisions which include marketing decision, cost price decision and capital investment decision.

### **Forecasting:-**

Correct sales forecasting is essential for manufacturing organization. This helps in production, by making available right workers and right material at right place and at right time. It also helps manager for purchasing of raw materials, equipments and labours. Many times production is made in advance to meet future demands and forecasting is essential because of short supply of raw material, lack of proper control, to fix up sales targets and to meet future financial needs. It also helps to give ideas about expansion of business; and for giving training to the personnel of the organization.

### **1.5. Check your progress:**

#### **a) Fill in the blanks.**

1. .... determines in advance what should be done, why, where and how it should be done.
2. .... includes man power planning, recruitment, selection, placement etc.
3. .... is a function of providing everything useful to the business organization.
4. .... means exchange of ideas, facts and information.
5. .... is a process of checking actual performance against standard performance.
6. .... means prediction about future.
7. .... involves selection of the best alternative.

## **1.6 MANAGEMENT IS AN ART, A SCIENCE AND A PROFESSION**

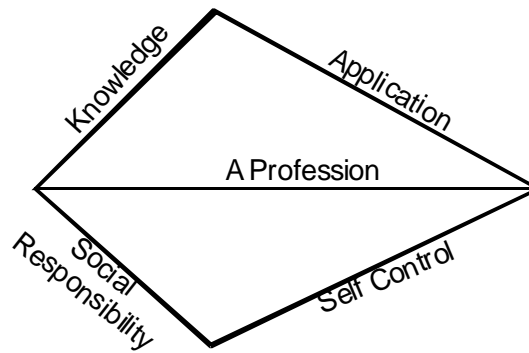
Management is treated as art, science and profession because it has some characteristics of an art, a science and a profession.

Art is personal skill. It is created by nature. It does not posses by all. Art is bringing about desired results with the help of skills. Management is one of the most creative arts. It requires a lot of knowledge.

### **Management is an art because:**

- 1] It is creative
- 2] It involves use of skill.
- 3] It involves use of technical know how.
- 4] It is directed towards getting results.
- 5] It is personalized.

## Management is a profession because:-



Profession is an occupation carried by professionals like doctor, lawyer, architect, chartered accountant, cost accountant etc.

It involves knowledge and application of it.

Management as a profession is modern concept different from traditional one.

### Characteristics of a profession :-

#### 1. Systematic body of knowledge:-

Professionals require expert knowledge in a particular discipline.

E.g. a doctor requires knowledge of medicine; Chartered Accountant needs to have knowledge of Income Tax.

#### 2. Formal Education:-

A true professional needs to have formal education from the institution.

E.g. Lawyer needs degree of law.

#### 3. Social Responsibility:-

The professional are socially responsible while handling their tasks and responsibilities. Their aim should not be only profit maximization, but they have to follow certain rules for social responsibilities.

#### 4. Independent Office:-

Normally professionals practice from their independent office.

#### 5. Specialization:-

The professionals may specialize in a particular field.

E.g. heart specialist, child specialist and ENT surgeon.

#### 6. Fees:-

The professionals required license or a permission to practice.

E.g. a doctor requires license to practice as a medical practitioner.

The modern concept of management has developed as a profession because:-

1. Organization is a systematic body of knowledge.
2. Formal methods of acquiring knowledge and skill with the help of different institution.
3. Rise in professional management consultant.
4. Need for honesty.

### Management as a Science:-

Science is a systematic body of knowledge based on certain principles and which are universally approved.

F. W. Taylor was the first person who considered management as a science. Science is divided into two parts.

1. Physical science.

2. Social science.

Management is a social science because it deals with human being.

Management is a social science due to the following reasons:-

**1. Systematic collection and processing of information:-**

Management collects information either by observation or experiment and practice. E.g. Marketing people collect information about expected sales on the basis of observation, experiment and practice. The data is collected. Then it is process and with the help of computer and statistical tools and then the data is analyzed and decisions are taken.

**2. Output may change though the inputs are same:-**

In management the output may change even when the input remains the same because it deals with human being. Subordinates working under one manager may give different result though resources are same. Process of management is universally followed i.e. planning, organizing, staffing, directing, controlling and reporting. Every manager while performing his job must use his knowledge to get better results.

**3. Principles of Management are universally accepted:-**

All successful organizations must follow established principles of management, such as division of work, unity of command, authority and responsibilities, discipline etc.

So it is said that management is not only an art, a science or a profession but combination of all.

**1.6 Check Your Progress**

**Q.1. Fill in the blanks:**

1. Profession involves ..... and application of it.
2. A ..... is a systematic body of knowledge.
3. An art is a ..... skill.
4. Management is a ..... science.

**Q.2. Answer the following:**

1. Define the term Management.  
.....  
.....
2. What are the characteristics of Management?  
.....  
.....

**1.7 LEVELS OF MANAGEMENT**

There are several types of managers. However it is useful to divide them on the basis of three managerial levels.

There are three levels of management:

- Top level management
- Middle level management
- Lower level management

Administrative level consists of top or upper level of management.

Operative level consists of middle level and lower management.

Lower level management includes supervisor and foreman.

The level of management is depends upon the size of the organization.

If there is large number of levels it will difficult to communicate and co-ordinate and control. So the levels must be restricted.

## 1.8 MANAGERIAL SKILLS

### 1. **Conceptual Skills:-**

Conceptual skills are the abilities to think about the creative terms understand and visualize the future, to organize and translate observation into ideas & concepts. Conceptual skills are essential to identify and diagnose the problems. This will helpful in determining the goals.

### 2. **Analytical Skills:- [Decision making]**

Analytical skills mean ability to work out a complex problem or situation into component. Analytical skills are required for solving problems and decision making. This is also helpful for evaluation of performance and arriving at judgment.

### 3. **Human relation Skills:-**

Human relation skills represent the ability to understand the behavior of people, their problems, their needs, working conditions and motivation to people. These skills are essential in directing the people and for better co-ordination.

### 4. **Administrative Skills:-**

It involves the implementation of plan and use of available resources to get the desired output that is profit and to regularize a performance in orderly manner. It is also helpful in co-ordination of activities.

### 5. **Technical Skills:-**

These skills are essential for first line managers. He requires knowledge of a job, ability to apply the methods and techniques of job. He is responsible for providing technical guidance and instructions to subordinates.

### 6. **Computer Skills:-**

Computer knowledge is essential for today's manager i.e. knowledge of hardware & software. Hardware is technical term & software is ability to adopt the system in an organization to attempt goals. In modern days computer is widely used in organization. Hence today's' manager should possess the knowledge of computer. This is helpful in decision making. It also helps to increase the productivity in the organization.

### 7. **Communication Skills:-**

Communication is systematic process of telling, listening and understanding. This skill requires the ability of listening and speaking in an effective manner. The manager is responsible for getting the things done by others. He should be expert in oral and written communication. Communication skill is essential for getting success. It is depend upon the manager who achieves the results with efforts of others. Co-ordination can be attained with the help of proper communication. Success is depends upon proper communication.

### Check your progress - 1.8

#### Fill in the blanks:

1. .... skills are the abilities to think about creative terms.
2. .... skills represent the ability to understand the behavior of people, their needs and problems.
3. .... skills involve the implementation of plan and use of available resources.
4. Knowledge of hardware and software is concerned with ..... skills.



## 1.9 DISTINGUISH BETWEEN:

### MANAGEMENT AND ORGANIZATION

Points	Management	Organization
<b>Meaning:</b>	It is an executive function which is primarily concerned with getting the things done by others.	It is an organic function of putting together the different parts of an enterprise into working order.
<b>Types:</b>	Planning, organizing, staffing, motivation, direction, co-ordination and control are the functions of management.	Organization is one of the important functions of management.
<b>Nature:</b>	It is like the entire body of human being.	It is like a nervous system of human body.
<b>Levels:</b>	There are different levels in management, e.g. top, middle and lower level.	There are no such levels in organization.
<b>Scope:</b>	Management uses the organization.	Organization is the machine of management.

#### Distinguish between: Management and Administration

Points	Administration	Management
<b>Policy making:</b>	It is concerned with policy making; it determines the goals to be achieved.	Management is concerned with the implementation of the policy.
<b>Implementation of the policies :</b>	It is not directly concerned with the implementation of policies.	It is directly concerned with the implementation of policies.
<b>Functions:</b>	Its functions are legislative.	Its functions are executive.
<b>Main functions:</b>	Planning and organizing	Motivation and controlling
<b>Management level:</b>	It relates to apex or top level management.	It relates to middle and lower level management.
<b>Sector:</b>	It is mostly used in government or public sector.	It is mostly used in the private sector.
<b>Illustrations:</b>	Collectors, commissioner, Vice chancellor, registrar, sales tax and income tax officer etc.	General manager , managing director, director etc.

## 1.10 SUMMARY

The term management is used to refer to the special body of knowledge and practice as the separate discipline or subject of study in which people can obtain through training and specialization.

In one sentence management is the art of directing and inspiring people.

Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.

Management functions are planning, organizing, staffing, directing, communication and controlling. Management is treated as art, science and profession.

The functions of management are:

***Planning***

***Organizing***

***Forecasting***

***Decision making***

***Staffing***

***Direction***

***Motivation***

***Communication***

### **Controlling**

There are three levels of Management i.e. Top, Middle and Lower Level.

Today's manager requires various types of skills to be successful in the business viz. Conceptual skills, communication skills, technical skills, human relations skills, analytical skills etc.

## **1.11 CHECK YOUR PROGRESS – ANSWERS**

- 1.1**    **a.** 1. Activities 2. Process  
          **b.** 1. False    2. True
- 1.2.**    1. Management  
          2. Universal
- 1.4.**    1. True  
          2. True  
          3. False
- 1.5.**    1. Planning  
          2. Staffing  
          3. Organizing  
          4. Communication  
          5. Controlling  
          6. Forecasting  
          **7. Decision making**
- 1.6.**    1. Knowledge  
          2. Science  
          3. Social
- 1.8.**    1. Conceptual  
          2. Human relation  
          3. Administration  
          4. Computer

## **1.12 QUESTIONS FOR SELF – STUDY**

**Answer in brief :**

1. Management is getting work done through people – explain.
2. Define Management. Explain management is art, science or profession.
3. Describe Management in preparation and Management in action.
4. Explain different functions of Management.
5. Analyze different types of skills required by Managers at different levels.
6. "Skills are not inherent to people but are required and developed through education, training and experiment" – Explain.

## **1.13 SUGGESTED READINGS**

Principles & Practices of Management : L. M. Prasad

Principles of Management : P. C. Tripathy & P.N. Readdy







## CHAPTER 2

# EVOLUTION OF MANAGEMENT THOUGHT

<b>2.0</b>	<b>Objectives</b>
<b>2.1</b>	<b>Introduction</b>
<b>2.2</b>	<b>Contribution of F. W. Taylor</b>
<b>2.3</b>	<b>Contribution of Henry Fayol</b>
<b>2.4</b>	<b>Contribution of Elten Mayo</b>
<b>2.5</b>	<b>Various Approaches to Management</b>
<b>2.6</b>	<b>Summary</b>
<b>2.7</b>	<b>Check your Progress - Answers</b>
<b>2.8</b>	<b>Questions for Self – Study</b>
<b>2.9</b>	<b>Suggested Readings</b>

## 2.0 OBJECTIVES

After studying this chapter you will be able to -

- State the stages of evolution of management.
- Explain scientific management by F.W. Taylor
- Discuss the concept of administrative management by Henry Fayol.
- Describe Hawthorne experiment and MBO process by Elten Mayo

## 2.1 INTRODUCTION

Management started when man started living in groups. It relates to achieve certain objectives.

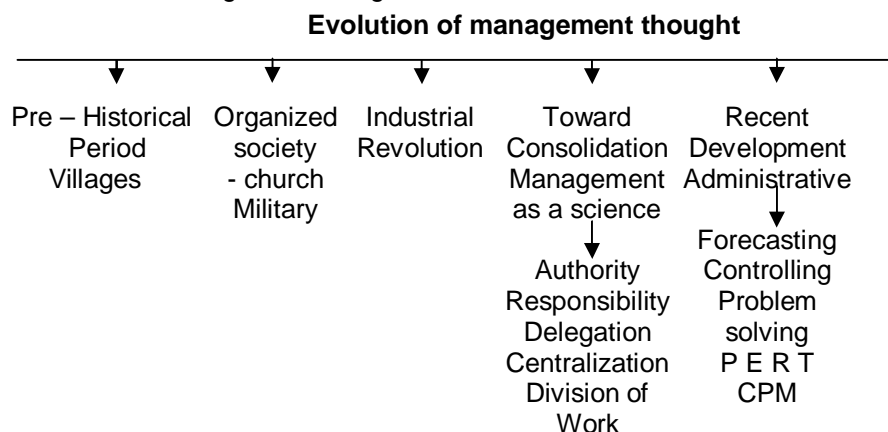
According to George management begin in family, and after that it is expanded in tribes & finally the scope was increased up to urbanization.

The reference of management was found in Babylonia (civilization on the bank of Nile river). After that Egypt provides us with an example of decentralized organization with little control. Management thoughts are shown in planning and organizing in the construction of Pyramids.

The ancient philosopher first recognized the need for proper methodology for employees' selection and training.

Greek provides extensive documentation of management principles. These principles of management are world wide famous. It is considered as management is an art. It includes employees' selection, delegation of authority, time study, motion study etc.

Looking at the entire process of management thoughts, in the early period management was based on trial basis. There was no exchange of ideas and no practice of communication. Management is developing science. It grows accordingly to changes in the social & political & economic changes. There are five stages of evolution of management thoughts.



**1. Pre – Historical Period:-**

Management is as old as man. Awareness of needs & satisfaction of needs is the part & parcel of management. In the ancient time in the villages, head of the village plans for the villages. There was a good labor planning. Villages were isolated. The basic needs in the villages were satisfied by the persons in the villages. Responsibilities were distributed among the people to satisfy the basic needs.

**2. Organized Society:- (Church & Military)**

The next contribution to the development of organization & management was by roman church. 1500 years ago Chinese ruler advised government about management of human institutions. The German public gives contribution towards management thoughts. During this period management techniques were largely developed in administrative military & state administration.

**3. Industrial Revolution:-**

This period is known as the period of scientific management. It is proved that management is related with enterprise & business. In this period lots of technological changes took place. With the industrial revolution the question of traditional management appears. The traditional management concept was replaced by professional management.

**4. Towards Consolidation:-**

This stage mark the beginning of the work of investigation of principles of management i.e. division of work, authority, responsibility, discipline, scalar chain. These ideas were developed by 'Henry Fayol'.

**5. Recent Development:-**

Recently management concepts are based on mathematical analysis. They are based on linear programming, operational research, PERT (Programme Evaluation and Review Technique), CPM (Critical Path Method). These techniques are useful in decision making, controlling, problem solving etc. In today's competitive world these techniques are essential for controlling the cost that is why management is called as a separate profession.

**2.1 Check Your Progress:**

**Fill in the blank.**

1. The reference of management was found in .....
2. Pre historical approach is consisted of .....
3. Recently management concepts are based on ..... analysis.

**2.2 CONTRIBUTION OF F.W. TAYLOR**

**(SCIENTIFIC MANAGEMENT)**

Scientific management is a part of early management approaches. The chief contributor of scientific management is F. W. Taylor. He is known as Father of Scientific Management (1856 to 1915) was born in USA.

He did most of his schooling in France & Germany. He couldn't finish his graduation & join Midvale Co. (Steel Work). He worked there for 6 years. In 1884 he raised to the position of Chief Engineers, as mean while he obtained Masters degree in Physics, Mathematics & Engineering.

In 1898, he joined Bethlehem Steel Co. where he did his experiment to increase the loading capacity of each worker with regards to material handling equipment. At first one worker was engaged in loading 12.5 tones of iron. But with the help of time & motion study he proved that one man can load 47.48 tones because of the change in the size of spade & systematic arrangement of instruments. With the help of proper planning organization can earn more profit. Initially the workers in that company are 500 to 600 because of this the strength of workers reduce to 140 and profit increased by 78,000 dollars.

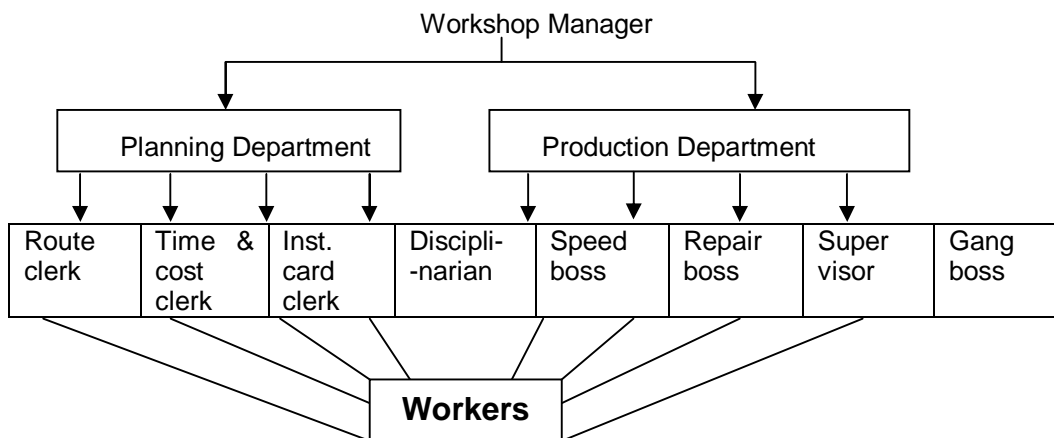
**• Definition:-**

Scientific management is concern with exactly knowing what you want men to do & then see that they are doing in best & cheapest way.

- **Contribution of F. W. Taylor :-**

- 1) At Midvale Steel Co. he improved proper distribution of work for each worker.
- 2) In Midvale Steel Co. he analyzed the work done by workers in specific job & allotted standard time.
- 3) He also made experiments on time study & motion study to decide the work load of each worker.
- 4) In Bethlehem Steel Co. he had made experiments with material handling equipment for increasing the capacity of each worker.
- 5) In 1901, he presented a paper on differential piece rate system.
- 6) In 1906, he published article on art of cutting metals.
- 7) In 1903, he presented important paper on shop management – In that he explained gang boss, speed boss, repair boss & inspector.
- 8) In 1911, he gave the principles of scientific management, for which he is remembered as 'Father of Scientific Management'. In that he has explained:-
  - i) Friendly relationship between workers & management.
  - ii) Scientific education to the workers.
  - iii) Scientific selection of workers so that each worker could be given responsibility for the task.
  - iv) Development of the true science of management with proper analysis in the organization.

**Mechanism of Scientific Management:**



**Mechanism:-**

**1. Separation of Planning & Doing:-**

Before Taylor's scientific management a worker used to plan about his work & instruments necessary for that. Supervisors' job was to see how the workers were performing. This creates a lot of problems. So Taylor has separated planning & doing authority.

**2. Functional Foremanship:-**

Separation of planning from doing resulted into development of supervision system. In this system 8 persons were engaged, out of that 4 persons were engaged in planning department. They are time & cost clerk, routine clerk, instruction card clerk & disciplinarian. In production process 4 personnel were engaged, they are speed boss, repair boss, supervisor & gang boss.

**3. Job Analysis:-**

It is related with finding out best way of doing. It means that least movements in doing job. It will lead to complete production in less time & lesser cost. It includes:-

**A) Time Study:-**

It means determining time required to complete a job in a particular time. The movement which takes minimum time is the best one.

**B) Motion study:-**

It means study of movement while performing a job i.e. elimination of wasteful movement in performing a job, only necessary movements are engaged.

**C) Fatigue Study:-**

It shows the amount & frequency of rest required, while completing the work. After certain period of time workers feel fatigue & can't work with full capacity. Therefore they require rest in between. When rest is allowed they start working with full capacity.

**D) Standardization:-**

As far as possible standardization should be maintained in respect of instruments & tools, period of work, amount of work, working conditions, cost of production etc. these all things are fixed in advance on the basis of job analysis.

**E) Scientific Selection & Training of Workers:-**

Taylor has been suggested that worker should be selected on scientific basis taking into account their education, work experience, attitude & physical strength.

**F) Financial Incentives:-**

Financial incentives help to motivate workers in maximum efforts. Higher wages lead to increase in efforts. He applied differential piece rate system. According to him workers have to complete the work within specified time and then only he will get wages at higher rate per piece & one does not complete a job gets a lower rate. Wages should be based on individual performance & not on the position occupied.

**G) Economy:-**

Techniques of cost estimated & control should be adopted. Waste should be controlled properly. Profit will be achieved with elimination of wastage. He explained how resources are wasted.

**H) Mental Revolution:-**

Scientific management depends upon mutual co-operation between workers & management. Taylor say's great revolution takes place in the mental attitude of two parties under scientific management. He has given systematic design of work. Labour management, co-operation required a complete mental change on the part of both parties. The workers have specific duties towards management & vice-a-versa. The method of scientific investigation & knowledge should be accepted by both parties.

**Criticisms:-**

In the beginning Taylor's scientific management was considered as something very unique. But after some time it was subjected to several criticism.

- 1) Taylor's scientific management was related to production management. It takes practical view of management & focuses attention only on the production management. Taylor's study of management has become the study of lower level management. He stressed on efficiency on lower level. He has neglected marketing, financial and decision making aspects completely.
- 2) Scientific management is applicable to large scale organization. It involves high expenditure. It is a luxury for small scale organization. It involves research, experiment & analysis. It is difficult for small scale organization.
- 3) It was also argued that devices of work analysis, time study & motion & fatigue study can't be applied in the practical life.
- 4) The idea of best way of doing a job was also criticized. Everyone has his own natural style of work & he can give best only if he is allowed to work in his style. The maximum efficiency will be attained by the group & not by individual worker.
- 5) Wages of workers are not increased in a direct proportion of productivity. It leads to exploitation to workers.
- 6) People are not ready to use the word 'scientific'. The scientific does not have any significance. Management is a social science and not an exact science.



## Check Your Progress – 2.2

### Fill in the blank.

1. ....known as father of scientific management.
2. ....is concerned with exactly knowing what you want men to do in best and cheapest way.
3. ....determines time required to complete a job in time.
4. ....shows the amount and frequency of rest required while completing the work.

## 2.3 CONTRIBUTION OF HENRY FAYOL

### (ADMINISTRATIVE MANAGEMENT)

Henry Fayol has been considered as the real father of modern management. He was a French industrialist and graduated as a mining engineer in 1860. In 1908, Fayol contributed his famous “functional approach” to the management literature. Fayol’s writings were first published in 1908 in French, but up to 1918, it was not translated into English. His ideas were accepted after his death in 1925.

Henry Fayol has written a book for his contribution in which he has explained the problems managing & organization from top management point of view. He has used the term administration instead of management.

- Fayol found that activities of industries should be divided into 6 groups i.e.
  - Technical (production)
  - Commercial (buying, selling and exchange)
  - Financial (optimum use of capital)
  - Security (protection of property)
  - Accounting (including statistics)
  - Managerial (all functions of management)

Fayol also stressed that managers should possess physical, mental, moral, educational and technical qualities to conduct operations of a business enterprise.

While giving management principles Fayol has emphasized on two things:-

- i. The principles of management can be followed in every organization.
- ii. These principles are not fixed. They are flexible.

He has listed certain fundamental principles which are to be adopted by managers in dealing with sub-ordinates. These 14 principles are world wide applicable.

#### 1) Division of Work(specialization):-

A business activity carried out by small scale may be managed & controlled by proprietor. As business expands, activities grow & need more people to control those activities. Organization is jointly managed by a group of person. Fayol has advocated division of work to take the advantage of specialization.

#### 2) Authority & Responsibility:-

Authority represents a power enjoyed by a person of his position in the organization. It may be for taking decision, spending money or in many other ways. Responsibility is obligation created upon a person for the use of authority, which is entrusted to him. These two terms are co-related. Fayol suggested that there must be balance between authority & responsibility.

#### 3) Discipline:-

All the personnel serving in an organization must follow discipline. Discipline is obedience, application of behavior & energy shown by an employee. Discipline may be self employed or command discipline. Discipline can be obtained lower remuneration, dismissal, demotion of position. While applying such circumstances proper proof should be taken into account.

**4) Unity of Command:-**

Each employee should receive order from single superior. In the organization structure it should be clearly stated that who is responsible to whom? & who should receive order from whom?

**5) Unity of Direction:-**

According to this principle each group of activity with some objective must have one head. There is a difference between unity of command & unity of direction. Direction is concerned with planning & unity of command is concerned with reporting.

**6) Subordination of individual interest to general interest:-**

In an organization individual interest should not be given any importance. The manager should always keep organizational interest before him & should determine such policies which will be beneficial to entire group & not just few personnel. It is responsibility to management to create common understanding between all.

**7) Remuneration:-**

Every employee must be paid an adequate remuneration for his services. Remuneration should be fair & should provide maximum satisfaction to person who is working in the organization. Personal factors such as demand for labor, position of the labor & competition as well as cost of living index should be taken into account. General Economic Conditions should be considered while deciding the remuneration of an employee. In any case exploitation of the worker should be avoided.

**8) Order:-**

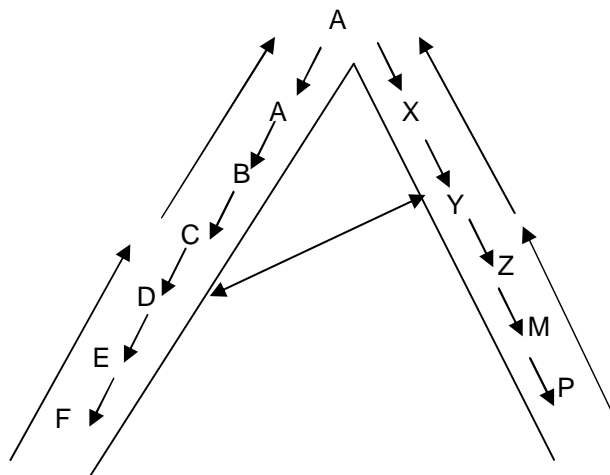
Fayol has suggested that at one position one person should be appointed. Each person must have appropriated position in organization.

**9) Centralization:-**

It means the extent to which authority should be concentrated in the hands of top level management. It may be centralized or decentralized. There are limitations of complete centralization & complete decentralization. Therefore, there should be proper balance between this two.

**10) Scalar Chain: - (Straight line & Command)**

It shows the straight line of authority from highest level to lower level for communication. Scalar chain is the extract of organization chart & shows the responsibility or position of everybody in an organization.



According to the principle of organization the proper way of communication order is A to B, B to C, C to D & so on or F to E & E to D, D to C, & so on & A to X, X to Y, Y to Z & so on or P to M, M to Z, Z to Y & so on.

**11) Stability of Tenure:-**

Effort must be made to keep the employee stuck to organization so that the labour turnover can be low by keeping check on administrative cost of organization. Care must be taken to satisfy the staff otherwise there will be bad effect & loss of labour.

**12) Equity:-**

Equity is combination of justice & kindness; equity in treatment & behavior is liked by everyone & it brings loyalty in the organization.

**13) Initiative:-**

Within the limits of authority & discipline manager should encourage their employees for taking initiative. Initiative is concern with thinking. Thinking leads to execution of plan. Initiative increases energy on the part of human being.

**14) Espirit De Corps:-**

This is a French term. It means manager is like a captain of a team who is responsible to maintain high moral between all workers. It may be possible by effective communication among all persons in organization. His understanding & differences in opinions should not be harmful. The best way of taking such situation is to establish dialogue between parties. Participation of workers in the process of decision making is important.

**Difference between contribution of F. W. Taylor & Henry Fayol.**

<b>F. W. Taylor</b>	<b>Henry Fayol</b>
1) <b><u>Place of origin:-</u></b> F. W. Taylor belongs to U.S.A.	Henry Fayol was a French man.
2) <b><u>Working Process:-</u></b> The work of F.W. Taylor was related on operative level, bottom level & first line manager.	Henry Fayol started his theory from top level to lower level.
3) <b><u>Importance given by them:-</u></b> Taylor emphasis on work study, motion study, time study & fatigue study, differential piece rate (scientific management).	Henry Fayol gave importance to the activities of top level management i.e. controlling & planning.
4) <b><u>Difference in approach:-</u></b> Taylor stress on the efficiency of workers. He considered production management as important factor in the organization.	Henry Fayol gave importance to principle of management which can be applied universally.
5) <b><u>Their contribution:-</u></b> Taylor gave a scientific base to management.	Henry Fayol gave importance to management training.
6) <b><u>System of wage payment:-</u></b> Taylor advocated system of differential piece rate system.	Fayol did not mention anything about wage payment.
7) <b><u>Faith:-</u></b> Taylor had faith in scientific management.	Fayol had faith in administrative management.

**Check Your Progress - 2.3**

**Fill in the blank.**

1. .... is called as father of modern management.
2. Technical activities are related to .....
3. Accounting activities include .....
4. ....represents a power enjoyed by a person of his position.
5. ....shows the straight line of authority from highest level to lower level for communication.
6. ....is combination of justice and kindness.
7. Espirit De Corps is a .....term.

## 2.5 CONTRIBUTION OF ELTEN MAYO

### (1880-1949) (HAWTHORNE EXPERIMENTS)

Elten Mayo can be called as the Founder of Human relations school. Mayo conducted experiments at the Department of Industrial research of Harward.

Mayo was of the opinion that an individual is not very important, his personality is important as a member of the group.

The human relations movement was evolved during 1920's in the U.S.A. Elten Mayo (1880-1949) laid the foundations for the human relations approach.

Hawthorne experiments was conducted from 1924 to 1932 at a plant of Western Electric Company, Chicago was manufacturing Telephone System Bell. It employed 30,000 employees at the time of experiment. The experiment was conducted in 4 phases.

#### I] **Illumination Experiment :-** (Physical, conducting, lighting effect)

It was undertaken to find out how change in the level of light & physical factor affects production. Higher illumination will help in increasing the production; decrease in illumination will lead to decrease in production.

#### II] **Relay Assembly Test Room:-**

Under this study, two small groups of six female telephone relay assemblers were put in separate rooms under close observation and control. Frequent changes were made in working conditions such as working hours, rest periods, hot lunch etc. Over the two years period, it was concluded that social or human relationship among workers exercised greater influence on productivity of workers than working conditions. This special attention and treatment given to workers developed a sense of group pride and belongingness which motivated them to increase their performance.

#### III] **Mass Interview Program:-**

During the course of experiment about 20,000 interviews were conducted from 1928 to 1930. For determination of employee's attitude towards company such as supervision, insurance plan, promotion, wages etc. & yes & no type of questions were asked. During the course of interview it was discovered that workers behaviour was influenced by group behavior.

The programme indicated that productivity can be increased if people allowed talking freely.

#### IV] **Bank wiring observation room:-**

This experiment was carried from 1931 to 1932 with a view to analysis functioning of small group & its impact on individual behavior. The group was formed consisting of 14 male members, 9 wire men & two inspectors. Hourly wage rate was based on average output of each worker & bonus was based on the productivity of group of workers.

It was found that the group has established its own standards of output and social pressure was exercised.

#### **The main conclusions of Hawthorne Experiments are as follows :**

##### 1) **Social factor in output:-**

Worker is influenced by social factor & the behavior within the group. Man is a social animal. Only monetary incentives are not sufficient to increase the production but non-monetary incentives will also help to increase the production. Means, behavior within the group will definitely increase the production. This acts as a motivating factor.

##### 2) **Group Influence:-**

Worker forms a group in the organization means, they develop informal relationship. They try to change their behavior & manager is considered as a part & parcel for that group & not as a manager.

##### 3) **Leadership:-**

Leadership is important for directing group behavior. But the formal relationship is not accepted by the workers. Informal relationship which is express in relay

assembly test room & bank wiring observation room is lead to increase the efficiency of the workers.

#### 4) **Supervision:-**

Supervision is important for determining efficiency of output but friendly supervision helps to increase the productivity of the workers in the organization.

#### 5) **Communication:-**

In every organization communication is very important. Workers participation in the process of decision making helps in increasing the productivity. Workers must communicate freely with managers to explain their problem. Better understanding between manager & workers develops positive attitude.

#### **Criticism:-**

- 1) The Hawthorne experiment is criticized because there is no scientific base. It is based on social relationship.
- 2) It was also pointed out that this experiment does not have any guarantee because it has limited scope.
- 3) The human relationship approach is criticized on the several bases. It is observed that this approach try to soft corner of the requirement of the organization. No attempt was made to understand human behavior at work place.
- 4) As a result of the impact of human relation approach, human relation become fad and fashion with many people of the organization. They believe that happy workers are productive workers. This is not always true.
- 5) With the passage of time both managers & workers begin to realize disadvantage of the situation.
- 6) When decisions are made secretly is important which is not possible in the Hawthorne experiment.

However, human relationship approach should not be totally neglected. Human psychology is basically sound & should be properly understood.

### **2.4 Check Your Progress:**

#### **Fill in the blank.**

1. ....is called as the founder of human relations school.
2. Hawthorne experiments are divided into .....phases.
3. It was found that .....can improve, if people are allowed to talk freely.

## **2.5 VARIOUS APPROACHES TO MANAGEMENT**

Peter Drucker explained his theory on managerial problems. He has written the most important book, 'Practice of Management' & another one is 'The effective executive Management'.

He has explained the responsibilities & practice by the management & his thoughts are as follows:-

#### 1) **Nature of Management:-**

Peter Drucker is against bureaucratic management & he emphasized the management with creative & innovative characteristic. Main object of management is lead towards innovation. It includes development of new ideas with old one for betterment of organization. For that he treated management as a profession & as a discipline. As a discipline management has its own tools, skill & techniques for achievement of goals. He has also explained management as a practice rather than science. Management is result oriented. He emphasized that manager should not have only technical skills but conceptual skills also. He must understand social & cultural requirements of an organization.

## 2) Management Function:-

According to Peter Ducker :

- a) Management comes into existence for specific purpose whether it is hospital, educational institute, transport, etc.
- b) Making work productive & workers active.
- c) Managing social responsibility.

Apart from these functions management has to perform several functions such as setting of objectives, decision making, motivation, etc. It covers 8 areas such as innovation, productivity, physical resources, financial resources, profitability, and managerial performance, attitude of management & public responsibility of management.

## 3) Management by Objectives (M.B.O):-

He introduced this concept in 1954. It also means management by result. M.B.O. included planning, setting, standard performance calculation (appraisal) & motivation. According to him it is not only a technique but it is a philosophy of managing. Now-a-days this concept has become more popular.

### Management by objectives: (MBO)

#### Meaning:-

According to George "MBO is the process where superior & managers of an organization jointly defines it's common goals, each individual area of responsibility in the term of results expected by him & use their measures as a guide for operating the unit & assuming contribution of each of its members."

It is new dynamic concept. It is different from traditional management concept. This concept gives advantages of co-operation and was introduced by Peter Drucker. It is a technique in the hands of management.

#### Process of M.B.O.:

The M.B.O approach is result oriented approach & based on the idea of effective participation of all the members for achieving objectives. It includes following steps:-

#### 1) Defining Job:-

Every employee is asked to define his job with the necessary details. The supervisor is also asked to do the same exercise independently. The job specifies the responsibilities of the each personnel for attainment of goals. It is finalized in the joint meeting of superior & sub-ordinates.

#### 2) Setting Objectives:-

In this stage the objectives to be achieved are decided by all concern parties & key results areas are also finalized. They are prepared on proper background for further action & results are achieved by the staff. In this process long term & short term objectives are finalized.

#### 3) Developing Action Plan:-

Such action plan is based on objectives & useful for suitable follow up for achieving objectives. The action plan gives clean direction to concern parties & brings unity in the whole organization. Action plan is prepared jointly.

#### 4) Conducting Periodical View:-

Periodical view is useful for execution of action plan. Such review suggests actual performance of the plan. If there is any deviation remedial action can be taken.

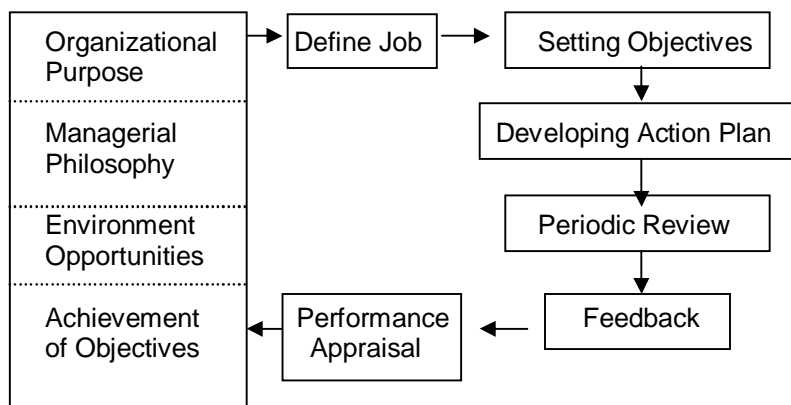
#### 5) Performance Appraisal:-

M.B.O. provides as a tool for performance appraisal to superiors. It helps to improve the performance of staff in future. Appraisal need to be done with trust & confidence.

#### 6) Achieving the Objectives:-

The important aspect of M.B.O. is to achieve the objectives within the definite limits. These are achieved with participation of old. For this understanding, communication & co-operation is required.

## Process of MBO



### Advantages:-

#### 1) **Result Oriented Approach: -**

MBO is result oriented philosophy. MBO is highly practical approach to management.

#### 2) **Clarity of Goals: -**

MBO is goal setting method, in which the desired results are identified in anticipation of performance. All problematic areas are highlighted.

#### 3) **High Morale of Employee: -**

Participation of superiors & clarity of goals help to increase the moral of employees in the organization. There is two way communication.

#### 4) **Effective Planning: -**

M.B.O. program shares planning process. Planning process is standardized toward action plan.

#### 5) **It Facilitate Control: -**

Since objectives are determined for achieving goals, better control over the performance can be done. Each individual performance is calculated & it is compared with standard one.

#### 6) **It facilitates Personal Leadership: -**

MBO helps individual manager to develop skills for personal leadership in the area of planning, controlling & organizing.

### Limitations of M.B.O.: -

#### 1) **It is time consuming process: -**

M.B.O includes setting of objectives & responsibility with careful consideration for every action. Therefore it is time consuming process.

#### 2) **It increases paper work: -**

Written communication e.g. policy, manual, instruction cards, questionnaire & reporting increases paper work.

#### 3) **It creates organizational problem: -**

Participation of subordinate in setting objectives will create problem between superior & subordinate.

#### 4) **Problem of goal setting: -**

M.B.O can function successfully only when measurable objectives are jointly set & they are agreed by all. Problems can be raise if objects are not set properly with particular responsibility.

**5) Conflicting objectives: -**

Sometime an individual's goals may be conflicting with others. In such a situation individual follows the path that is suitable for him. This tendency may result in lack of co-ordination. In different departments objectives cannot be co-ordinate together so the attainment becomes difficult.

**6) Secret can't be maintained: -**

As M.B.O involves participation of superior & sub-ordinate, it is very difficult to maintain secrecy. Some important matters should be kept with top level management, because some times it is dangerous for the organization when there is leakage of information.

**7) It is reward punishment approach: -**

M.B.O creates excess pressure on all executives. It is based on reward punishment philosophy. It carries tension on the minds of manager.

**Objectives of M.B.O.:-**

- 1) MBO is new philosophy in management. It aims at achieving organizational objectives with support of co-operation if entire manpower is available in business. It aims at involvement of all employees with effective communication.
- 2) In MBO effective participation of superior & sub-ordinates is necessary. Both have to work together. They have to set objectives jointly. Co-operation is the key of success in MBO process.
- 3) In MBO setting of goals is a joint activity. Goals are never imposed forcefully to anyone. They are decided by both parties.
- 4) In MBO efforts are made to achieve the results by giving reasonable freedom to lower level management. There is mutual understanding between superior & sub-ordinates while achieving objectives.

**2.5 CHECK YOUR PROGRESS:**

**Fill in the blank.**

- 1. .... invented the concept of M.B.O.
- 2. .... is a process where superior and managers of an organization jointly defined its common goals.
- 3. MBO is ..... oriented.
- 4. MBO provides a s a tool for ..... to superiors.

**2.6 SUMMARY**

Scientific Management focuses on works and machine relationship. It is developed by F.Y. Taylor. He is known as the Father of Scientific Management.

Administrative Management emphasizes the Manager and the functions of management. Henri Fayol (1841-1925) known as the Father of Modern Management.

Behavioral or human relations management emerged in 1920 and dealt with the human aspects of organizations. Elton Mayo, known as Father of Hawthorne Studies. The Hawthorne studies are significant because they demonstrated the importance influence of human factor on worker productivity.

Peter Drucker has varied experience from the fields which includes psychology, sociology, Law and Journalism. Drucker's contributions have made tremendous impact on the management practices. He has developed solutions to number of managerial problems.

**2.7 CHECK YOUR PROGRESS – ANSWERS**

- 2.1 1. Babylonia
- 2. Villages
- 3. Mathematical



- 2.2** 1. F.W.Taylor  
2. Scientific management  
3. Time study  
4. Fatigue study

- 2.3** 1. Henry Fayol  
2. Production  
3. Statistics  
4. Authority  
5. Scalar chain  
6. Equity  
7. French

- 2.4.** 1. Elton Mayo  
2. 4  
3. Productivity

- 2.5** 1. Peter Drucker  
2. MBO  
3. Result  
4. Performance appraisal

## **2.8 QUESTIONS FOR SELF – STUDY**

1. What is Scientific Management? Explain the mechanisms of scientific management?
2. What are the basic principles of Administrative Management?
3. Explain the difference between Taylor and Fayol thoughts.
4. Describe Elton Mayo and his Hawthorne Experiment.
5. Explain process of MBO given by Peter Drucker.

## **2.9 SUGGESTED READINGS**

Principles of Management : Koontz & O'Donnell

Business Management : Dr. P. C. Pardeshi





## CHAPTER 3

# FUNCTIONS OF MANAGEMENT PLANNING

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3.0	Objectives
3.1	Introduction
3.2	Meaning
3.3	Nature and Objectives
3.4	Process of Planning
3.5	Types of Plans
3.6	Advantages of Planning
3.7	Limitations of Planning
3.8	Summary
3.9	Check your Progress - <i>Answers</i>
3.10	Questions for Self – Study
3.11	Suggested Readings

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### 3.0 OBJECTIVES

After studying this chapter you will be able to -

- Explain the basic functions of Management i.e. planning.
- State nature, objectives and importance of planning.
- Describe process of planning.
- Describe the types of Plans

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### 3.1 INTRODUCTION

We are living in an economic, technological, political, social era. In which planning is pre-requisite for the growth of organization.

In simple words, Planning is deciding in advance what is to be done for the future period of time. In this sense, planning is basic activity. Almost everyone involve in planning to some extent. E.g.: - A student plans his studies for coming examinations. College authority plans for smooth conduct of examinations. Political leader plans for his elections. Government plans too proper utilization of resources to achieve a desire economic growth.

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### 3.2 MEANING

In simple word planning is deciding in advance what to do, how to do, when to do & who is to do it. Planning is a bridge between present & future. It is an intellectual process & thinking before doing.

Planning bridges the gaps from where we are to & where we want to go. Planning involves the selection was the course of action to achieve desired result. In this change planning is projected course of action.

**Definitions: -**

**1) According to 'Koontz and O'Donell':-**

"Planning is an intellectual process, the conscious determinatory of courses of action, the basing of decisions on purpose, facts and considered estimates."

**2) According to 'James Lundy':**

"Planning is determination of what is to be done, how and where it is to be done , who is to do it & how results are to be evaluated."

**3) According to 'George Terry':-**

"The selection & relating of facts & the making & using of assumptions regarding the future in the visualization & formulation of proposed activities believed necessary to achieve the desired results."

### 3.3 NATURE AND OBJECTIVES

**1. Objectives oriented:**

The main purpose of a plan is to accomplish the objectives of the organization.

**2. Basic function of management:**

Planning is the foundation of organization. No planning, no organization. The manager decides upon the policies, procedures, programmes and projects before proceeding with his work.

**3. Directed towards efficiency:**

The plan is said to be efficient, when the objectives are accomplished.

**4. It is flexible and dynamic:**

Planning leads to the adoption of a specific course of action and the rejection of other possibilities. Management is dynamic as well as flexible because future is unpredictable, and when future cannot be moulded to confirm to the course of action, flexibility has to be ingrained.

**Objectives of planning:**

**1) Planning & Objectives**

Planning is object oriented. Every plan must contribute for accomplishment of group objectives. If objectives are not decided planning will be of no use.

**2) Efficiency of Plan: -**

Efficiency is the ability to minimize the use of resources in achieving organizational objectives. Efficiency of plan is measured by its contribution to objective as economical as possible. Planning should be done in such a way that maximum results will be obtained at minimum cost.

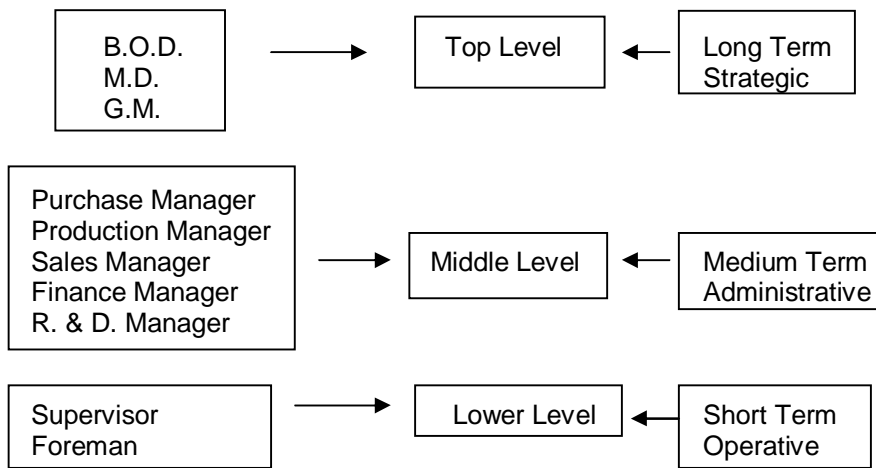
**3) Planning & Forecasting: -**

The essence of planning is forecasting. Forecasting means looking ahead & making assumptions about the future. Forecasting is not speculation. It involves logical & intelligent guess work. Forecasting provides basis for planning. It helps management to make assumptions about future. It forms the basis for development. Planning in various areas like purchase of raw material, production, marketing is based on forecasting. Forecasting describes what will happen in future.

**4) Planning & Decision Making: -**

Decision making is a process of selecting a better course of action from available alternatives. Decisions are taken about the use of organizational resources. It is an important part of planning. Decision making is wider term. It includes organizing, directing, controlling & co-ordination.

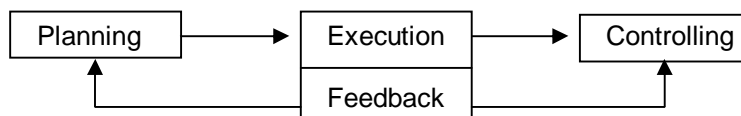
**5) Planning is essential at each level: -**



This figure clearly indicates the nature of planning is different at each level. Planning is done in all types of organizations & in all departments.

**6) Planning & Controlling: -**

Planning is flexible & it is continuous process. It is never ending activity. On the basis of feedback, controlling function changes. Planning is looking ahead & controlling is looking back. Planning means fixing objectives & preparing budget. Controlling involves comparison of actual results with planned result.

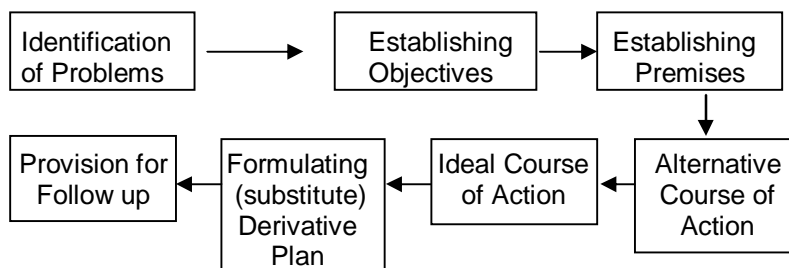


**3.2 & 3.3 CHECK YOUR PROGRESS :**

1. .... is deciding in advance what to do, how to do and when to do it.
2. Planning is ..... oriented.
3. .... is the ability to minimize the use of resources in order to achieve organizational objectives.
4. .... means looking ahead.
5. Planning is ..... and ..... process.

**3.4 PROCESS OF PLANNING**

The steps involve in planning process are described as follows:-



**1) Identification of problems & awareness of opportunities:-**

The manager must identify the problems while planning so that suitable action can be taken. This will help to take further steps for completing the objectives. Planning starts with analysis & external environment. This is essential for businessmen to be aware of opportunities in the market. They must consider changes in consumer demand, number of competitors, change in habits, change in technology etc. At the same time the businessmen has to conduct internal

analysis of its strengths & weaknesses. It means it has to examine its resources & production.

E.g. An audio cassette manufacturer must have awareness of new opportunities in the market. At the same time he has to verify availability of resources while planning.

**2) Establishing Objectives: -**

The entire planning activity is directed towards achieving the objectives of the enterprise. Determining objectives is a real starting point of planning process. Once the objectives are fixed it is necessary to finalize objectives for various department.

- E.g.
1. Increase sales by 30% or 40%
  2. Provide better working conditions to workers.
  3. Reduction in cost of production by 25%

**3) Establishing Planning Premises: -**

On the basis of information collected assumption about the future should be made. This process is known as planning premises. Premises are forecast about the future. Premises may be internal or external; it may be controllable & uncontrollable. Normally, internal premises are controllable & external are uncontrollable. Internal premises include capital investment, availability of material, labour & financial position. It includes the part of decision making & external premises include economical, social, political & competitors. It also includes government policies.

**4) Determining Alternative Courses: -**

In this step various possible course of action or plans are developed to achieve a particular object.

**5) Selecting Ideal Courses of Action: -**

After the careful examination of various alternatives ideal course of action, the most suitable course of action or plan is selected to achieve pre-determine objective.

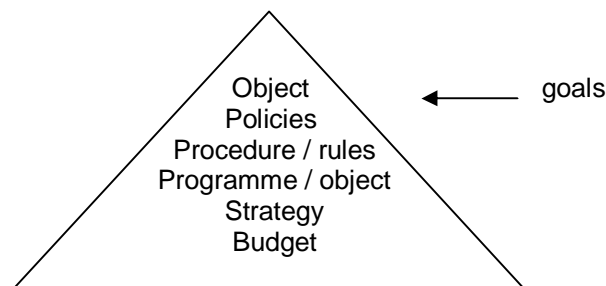
**6) Formulation of Derivative Plans: -**

Once the overall plan is selected it becomes essential to fix the detail sequence & timing of the plan. Then subsidiary or derivative plan is to be considered. Primary plan of action is decided by preparing separate derivative plans for each section or division of the enterprise.

**7) Provision for Follow-up: -**

Planning is always followed by action. Some modifications may be required for achieving pre-determined objective & adequate follow up provides assurance about fulfillment of objective.

### 3.5 TYPES OF PLANS



Plan is commitment to a particular course of action & process of planning has certain components of planning are known as types of plans.

**1] Objectives:-**

Objectives are of broad purpose for which organization comes into force & decisions are taken for attainment of objectives

**2] Policies: -**

Policies are general statements of principles of completion of objectives. They help as guideline for actions & decisions.

Policies may be classified: -

1. Written or Unwritten
  2. Originated or Imposed
- Originated policies means implemented by Top Level Management.  
Imposed policies means directed by outsiders.

A good policy includes following points:-

1. Clear & Understandable
2. Related to important objectives
3. Based on judgment
4. Stable & can be changed according to situation
5. It should be accepted by all.

Policies are made at various levels. Policies should be properly communicated to all levels. Out dated policies should be removed.

**3] Procedure: -**

It makes a fix path to be taken to achieve the objective. It helps in establishing the way to perform the work. Procedure should be stable, flexible or modified. It changes according to department. Procedure may be durable like policies. It provide basis for control. Due to procedure there is uniformity in the work. It helps in training for new employees.

**4] Programme:-**

It is comprehensive plan. It includes use of different resources in the organization in particular time. It also shows line of action to be taken by whom, when & where. They are specific plan of workers to attain in particular sequence. Objectives, policies, procedure help to concentrate on a particular course of action & program give definite shape to achieve that target.

Program may be repetitive or non-repetitive, major or minor.

Repetitive programs are called 'Routine Planning' (production).

Non-repetitive is called as 'Creative Planning'. Sometime instead of program method component planning is accepted for getting better results.

**5] Strategy: -**

Strategy is a special land of plan which is formulated for meeting the challenges for competitors. Strategy is developed by making use of plans of the competition as a background. It is a choice of the means of available resources for achievement of objectives.

**1] E.g. Increase sales level**

Company can choose any one or two strategies for achieving the objective:

1. Reducing selling price
2. Better quality
3. After sales services.

**6] Budget: -**

It is define as financial or quantitative statement prepared for definite period of time. It is defined as a blue print or projected plan of action for definite period of time. A budget is examination of future operation of business.

**Essentials for effective budgeting: -**

1. Support of Top Level Management.
2. Adequate accounting system.
3. Clear cut define authority & responsibility.
4. Formulation of budget committee.
5. Clearly define business policies.
6. Degree of flexibility.
7. Statistical information.

**Check Your Progress : 3.5**

**Fill in the blank.**

1. A ..... is a commitment to a particular course of action.
2. .... are general statements for completion of objectives.
3. .... makes a fix path to be taken to achieve the objectives.
4. .... is a comprehensive plan.
5. .... is a financial statement prepared for definite period of time.

### 3.6 ADVANTAGES OF PLANNING

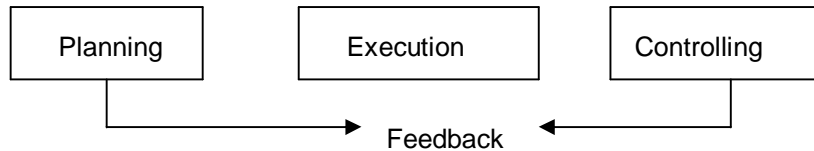
1) **Planning provides economy in operation: -**

Planning helps in achieving goals with efficiency & economy. It involves selection of profitable course of action. It also involves selection of best alternative.

2) **Uncertainties about the future is easily located in advance for that planning is very essential in the organization.**

3) **Planning provides basis for control in the organization: -**

In planning goals are planned and actions are measured for effective control. In this, actual performance is checked with standard performance. If there is any difference then suitable action is taken.



4) **Planning has unique Contribution: -**

Planning makes the functions of directing, controlling, co-ordination, communication more effective in organization.

5) **Planning secure unity of purpose & direct efforts: -**

Planning is distinct activity which leads to co-ordination in the organization. It helps for determining common goals in the organization. It avoids duplication of utilization of resources & helps effective utilization of all available resources.

6) **Planning Promote Internal Co-ordination: -**

The activities are coordinated in the organization with the help of planning to attain the goals. It helps to maintain the discipline between the departments.

7) **Planning result in more productivity: -**

Planning makes better utilization of all the available resources & helps to increase productivity. It also increases overall profitability.

8) **Planning is helpful in forecasting: -**

It gives proper strength for the business to grow & prosperity.

### 3.7 LIMITATIONS OF PLANNING

1) **Lack of Dependable Information: -**

The basic of planning is collect perfect information but dependable data is not available while planning. It leads to failure in planning. The period of planning is also short. It is difficult to use advance forecasting techniques.

2) **Time Consuming & Expensive: -**

Planning is time consuming & expensive process. The value expected from planning should be more than the cost involved in it.

3) **Internal Inflexibility: -**

Business environment is always changing. Industries have to work under dynamic conditions. They have to face many problems. The manager may be negligent while revising the plans & procedure.

#### Check Your Progress - 3.6 & 3.7

**Fill in the blanks.**

1. .... involves decision making.
2. Future is .....
3. .... increases overall profitability.
4. Business environment is .....
5. Planning is ..... and ..... process.



### 3.8 SUMMARY

According to James Lundy, "Planning is determination of what is to be done, how and where it is to be done, who is to do it and how results are evaluated.

#### **Elements of Planning / Types of Plans:**

*Objectives*  
*Policies*  
*Procedure*  
*Programme*  
*Strategy*  
*Budget*

#### **Types of Planning**

*Strategic and Functional Planning*  
*Long Term Planning and Short Term Planning*  
*Administrative and Operational Planning*  
*Physical Planning*  
*Standing Planning*  
*Formal and Informal Planning*

### 3.9 CHECK YOUR PROGRESS – ANSWERS

- |                      |                |                                 |               |
|----------------------|----------------|---------------------------------|---------------|
| <b>3.2 &amp; 3.3</b> | 1. Planning    | 2. Objective                    | 3. Efficiency |
|                      | 4. Forecasting | 5. Flexible and continuous      |               |
| <b>3.5.</b>          | 1. Plan        | 2. Policies                     | 3. Procedure  |
|                      | 4. Programme   | 5. Budget                       |               |
| <b>3.6 &amp; 3.7</b> | 1. Planning    | 2. Uncertain                    | 3. Planning   |
|                      | 4. Dynamic     | 5. Time consuming and expensive |               |

### 3.10 QUESTIONS FOR SELF – STUDY

1. Define Planning.
2. Explain features of Planning.
3. Discuss process of Planning in detail.
4. What are the advantages of Planning? Also explain limitations of planning.
5. Explain different types of Plans.
6. What are the Different types of Plans?

### 3.11 SUGGESTED READINGS

**Management : Tasks, Responsibilities, Practices : Peter Drucker**

**Management : A Global Perspective : Herold Koontz**





# CHAPTER 4

## FORECASTING

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Forecasting : Meaning and Definitions
- 4.3 Techniques of Forecasting
- 4.4 Sales Forecasting
- 4.5 Advantages of Forecasting
- 4.6 Limitations of Forecasting
- 4.7 Summary
- 4.8 Check your Progress – Answers
- 4.9 Questions for Self - Study
- 4.10 Suggested Readings

### 4.0 OBJECTIVES

After studying this chapter you will be able to -

- Discuss the concept of forecasting.
- Describe techniques of forecasting.
- State the advantages of forecasting.
- Discuss the limitations of forecasting.

### 4.1 INTRODUCTION

Forecasting is one of the important functions of management. It is a part and parcel of planning function. Forecasting means prediction about future.

### 4.2 FORECASTING

#### Meaning and Definitions

##### Meaning:

Forecasting means analysis of future about the operations of an enterprise. It involves looking ahead for future event. Forecasting means a process of providing the details supported by budget.

Forecasting means drawing a conclusion about production, sales, profit on the basis of research, study & survey.

##### Definition:-

#### 1) According to Henry Fayol: -

“Business forecasting includes both accessing the future & making provision for it.”

#### 2) According to Luis Allen: -

“Forecasting is a systematic attempt to visualize the future by known facts. The purpose is to provide management with information on which planning decisions are based.”

### Check Your Progress : 4.1

#### Fill in the blank.

1. ....means analysis of future about the operations of enterprise.
2. ....means drawing a conclusion about production, sales, profit etc.

## 4.3 TECHNIQUES OF FORECASTING

The various techniques of forecasting are classified into quantitative & qualitative.

Quantitative techniques involved use of various statistical data for future. It includes time analysis, regression, extrapolation, economic model.

Qualitative techniques involved prediction about future. It includes techniques like morphological analysis, input-output analysis, historical analogue, business barometers.

### 1) Time Series Analysis:-

Under this method historical series of data divided into various, seasonal variation, random variation, cyclic variation, trend analysis etc. From this data demand factor is judged. This method can be used when historical data is available in organization, but it may give misleading result.

### 2) Regression:-

This analysis helps to find out relative moment of two or more series. It is used to estimate the change in variation & effect of that change on other variation. e.g.: - Advantage & sale, price & demand.

### 3) Extrapolation:-

This method is based on time series. It is assumed that, there is constant moment in data. If sale for 3 years (1998, 99-2000) 2,00,000; 2,40,000; 2,80,000 then its sales will be 82 lakhs.

### 4) Economical Model:-

Under this method mathematical models are used to express in quantitative terms. The inter relationship between many variables. The large numbers of equations are formed to arrive at a decision with the help of this model.

### 5) Input-Output Analysis:-

In this method input requirement & estimated output is determined with help of relationship between input & output.

E.g.: - The total quantity of petroleum is estimated with the help of the wage rate & as per the consumption level such as hotel, transport, household, etc.

### 6) Business Barometer:-

These are the index number which used while predicting. The direction in which economy is moving, accordingly GNP (Gross National Product), Consumer Price, Stock Exchange, are commonly used as index. Increase in GNP indicates progress in the economy.

### 7) Morphological Analysis:-

This analysis is related to technical changes. It involve finding out the objectives & various ways for achieving objectives.

E.g.: - To find out multiple uses of transistor micro – circuit.

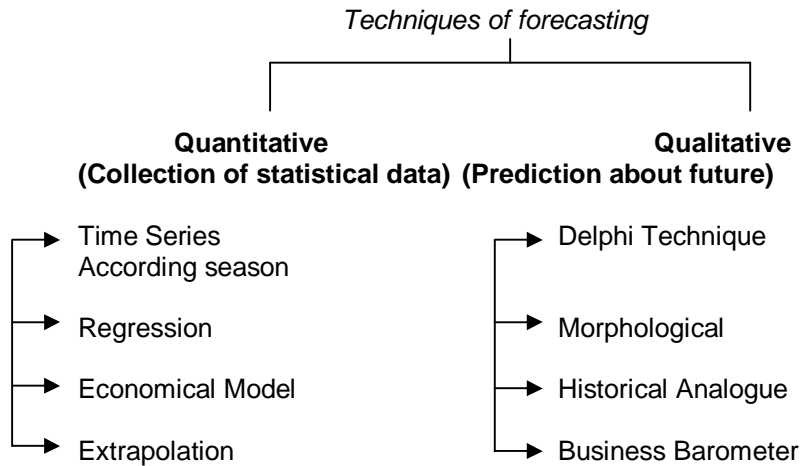
### 8) Historical Analysis:-

Under this method forecasting is based on some analogue conditions which are based on past.

E.g.: - In India economy is moving under certain stages. These stages are compared with the stages of development of U.S.A. before 40 years.

### 9) Delphi Technique:-

Under this method minds of experts are judge systematically. There is no face to face contact between two experts. They are kept separate from one another & their identity is kept secret. Their opinions are judged with the help of written answers. This method is based on scientific analysis. If there is difference of opinions then discussion is held.



#### Check Your Progress : 4.3

1. .... techniques involved use of various statistical data for future.
2. ....technique involved prediction about future.
3. In .....historical series of data is divided into seasonal, random and cyclic variations.
4. ....is based on time series.
5. In .....minds of experts are judged systematically.

## 4.4 SALES FORECASTING

The sales forecast is a prediction of the future sales of a particular product over a specific period of time based on past performance of the product, inflation rates, unemployment, consumer spending patterns, market trends, and interest rates. In the preparation of a comprehensive marketing plan, sales forecasts help the marketer to develop a marketing budget, allocate marketing resources, and monitor the competition and the product environment.

These forecasts are generally based primarily on recent sales trends, competitive developments, and economic trends in the industry, region, and/or nation in which the organization conducts business.

Sales forecasting is management's primary tool for predicting the volume of attainable sales. Therefore, the whole budget process depends on an accurate, timely sales forecast.

Managers prepare forecasts to determine the type and level of demand for both current and potential new products. They consider a broad spectrum of data for indications of growing and profitable markets. Forecasting, however, involves not only the collection and analysis of hard data, but also the application of business judgment in their interpretation and application. For example, forecasting requires business owners and managers to not only estimate expected units sold, but also to determine what the business's production (materials, labor, equipment) costs will be to produce those items.

Computer-aided sales forecasting has revolutionized this process. Advances in computer technology, information highways, and statistical and mathematical models provide almost every business with the ability to execute complex data

analyses, thus reducing the risks and pitfalls prevalent in the past. These advances have made the process and costs of forecasting practical and affordable for small- and mid-sized businesses.

#### 4.5 ADVANTAGES OF FORECASTING

- 1) **Regularity in Production:-**  
Regularized production is made possible by forecasting. It also helps management for correct flow of material. It also helps in overtime work.
- 2) **Management Decisions:-**  
Accurate management decisions are based on forecasting techniques.
- 3) **Means of Adoptability:-**  
Forecasting is best means of adopt ability for changing circumstances.
- 4) **Indicates profit & loss statement & expected profit:-**  
Forecasting plays very important role in planning. It is helpful to observe opportunities & optimum utilization of resources. It also helps in building co-operation & spirit among the employees. It also helps in setting standards.
- 5) **Good forecasting makes possible to regularize output. It helps in visualizing about fluctuation in production, cost, seasonal fluctuation, fluctuation in supply of raw material.**

#### 4.6 LIMITATIONS OF FORECASTING

1. **Guess Work:-** Every forecast involves some guess work about future. Number of maximum limit can be placed over possible.
2. **Long term forecasting may be inaccurate or dangerous.**
3. **Forecasting can't be act as a proof:-** It can't be submitted as a proof in the hands of management when there failure.
4. **Co-ordination becomes difficult:-**  
Forecasting requires proper co-ordination between all the departments but it is very difficult for co-ordination.

#### Difference between planning & forecasting

<i>Planning</i>	<i>Forecasting</i>
<b>1. Meaning:</b> Making of decision is planning.	Forecasting doesn't involve the process of decision making. It is the due for planning. It also explains what is likely to happen in future.
<b>2. Levels at which decisions are taken:-</b> In planning final decisions are taken by top level management.	In forecasting suggestions are given by middle & lower level management.
<b>3. Scope: -</b> Planning is more comprehensive which includes many sub-processes.	Forecasting involves estimation of future & provide basis for planning.
<b>4. Commitment of action: -</b> It is the basic plan of planning.	Forecasting may not required any commitment of action but it is help line in planning. It also helps for planning process.
<b>5. Number of persons:</b> The large numbers of persons are involved in planning process.	Forecasting activity can be taken by whom it may be affected whole of the organization.

## 4.7 SUMMARY

Forecasting means analysis of future operations. Business forecasting includes both accessing and future and making provision for it.

### Techniques of Forecasting:

Time series analysis

Regression Extrapolation

Econometrical model

Input-output analysis

Business Barometer

Morphological analysis

Historical Analogue etc.

## 4.8 CHECK YOUR PROGRESS – ANSWERS

- 4.2     1. Forecasting  
          2. Forecasting
- 4.3     1. Quantitative  
          2. Qualitative  
          3. Time series analysis  
          4. Extrapolation  
          5. Delphi technique

## 4.9 QUESTIONS FOR SELF – STUDY

1. Explain the term Forecasting.
2. Give the techniques of Forecasting.
3. Distinguish between Planning and Forecasting.

## 4.10 SUGGESTED READINGS

Management Theory & Practice : Dr. C. B Gupta

Principles & Practice of Management : L. M. Prasad







# CHAPTER 5

## DECISION MAKING

5.0	Objectives
5.1	Introduction
5.2	Features of Decision Making
5.3	Types of Decisions
5.4	Process of Decision Making
5.5	Styles of Decision Making
5.6	Who makes the Decision
5.7	Techniques used in Decision Making
5.8	Summary
5.6	Check your Progress - <i>Answers</i>
5.7	Questions for Self - <i>Study</i>
5.8	Suggested Readings

### 5.0 OBJECTIVES

After studying this chapter you will be able to -

- Discuss the concept of decision making.
- State various types of decisions.
- Enable students to explain the process of decision making.

### 5.1 INTRODUCTION

Management is essentially a decision making process. In case of every section of management, a manager has to make a choice among alternative courses of action. Whatever a manager does, he does it through making, decisions. A manager by way of taking decisions directs the behavior of subordinate. So management is defined as an art and science of decision making. However, it may be noted that decision making is the means for carrying out managerial tasks and responsibilities. The efficiency of the organization depends upon the efficiency of decision making of its management.

A decision is an act or choice where the organisation reaches to conclusion. What must not be done in a given situation is explained by decision making. It is a point where policies, procedures & objectives come into action. The main purpose of decision making is to direct human behavior.

#### **Definition:**

According to Melwin, "Administration is a decision making process & authority is responsible factor for making decisions & ascertainment of decisions is carried out or not. In a business whether the enterprise is small or large, decisions are important.

Terry – "Decision making is the selection based on some criteria from two or more possible alternative."

"Decision making is a rational process including all those investigative, creative, diagnostic and evaluative activities which take place while making a decision.

Nature or characteristics of decision making

On the basis of above definitions the main characteristics of decision making may be started as follows.

- i) Decision making is a process of making a rational choice or selecting one of the various alternative courses of action.
- ii) Decision making is necessary only when different alternative solutions are available.
- iii) Decision making is a purposeful activity.
- iv) Decision making involves the commitment of resources and reputation of the organization.
- v) Decision making is always related to the situation or environment.

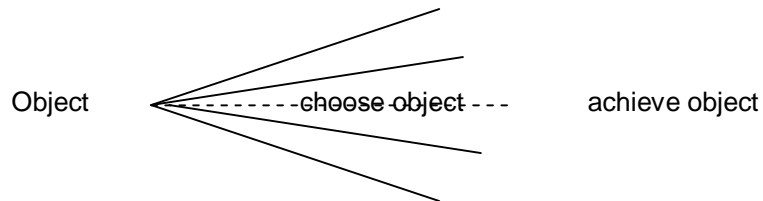
## Check your Progress – 5.1

### Fill in the blanks

1. Management is essentially a ..... process.
2. The efficiency of the ..... depends upon the efficiency of decision making or its management.
3. The main purpose of decision making is to ..... human behavior.
4. .... is always related to the situation or environment.

## 5.2 FEATURES OF DECISION MAKING

- 1) Decision making is a process. It includes choosing of one best alternative among various alternatives.



- 2) It may change according to change in the situation.
- 3) Decision making has a purpose.
- 4) It is intelligent activity & depends upon the ability of the person.
- 5) Decision making is a commitment for achieving the object.
- 6) Decision making leads to increase the profitability of business.

## 5.3 TYPES OF DECISIONS

### 1) Major Decision & Minor Decision: -

Decision may be major or minor. Major decision includes purchase of raw material, flow of production process.

E.g.: - Major decisions are:-  
Location of plant, schedule of production, etc.

E.g.: - Minor decisions are:-  
Purchase of stationary.

### 2) Programmed & un-programmed Decision :-

Decisions are classified on the basis of nature of problems. Programmed decisions are routine in nature. It does not involve any risk factor. It can be easily delegated. They are according to rules, regulations & policies.

On the other hand, un-programmed decisions deal with unique problems which involve risk factor & high expenditure.

### 3) Group Decisions & Personal Decisions :-

Group decisions are known as 'Organizational Decisions' which are related with formulating of policies. These decisions are taken by BOD, Shareholders, MD & all committee members.

On the other hand, Personal Decisions are taken by Manager as an individual & not as a member. Normally in sole proprietary organization, personal decision is taken.

### 4) Policy Decisions & Operating Decisions :-

Policy Decisions are taken by Top Level Management such as to give bonus to employee, expansion of plan, change of product line etc.

On the other hand, operating decisions are taken by middle or lower management such as follow up production process, calculation of bonus etc.

### 5) Long Term & Departmental Decisions :-

In long term decisions, the period of decisions are more than 1 year. These decisions are taken by top level management. It involves risk. E.g. Plant expansion, diversification, replacement of machinery, change in technology etc.

Departmental Decisions are related with departments. It is taken by Departmental Heads such as production department, sales department, purchase department, finance department.

**6) Routine Decisions & Strategic Decisions :-**

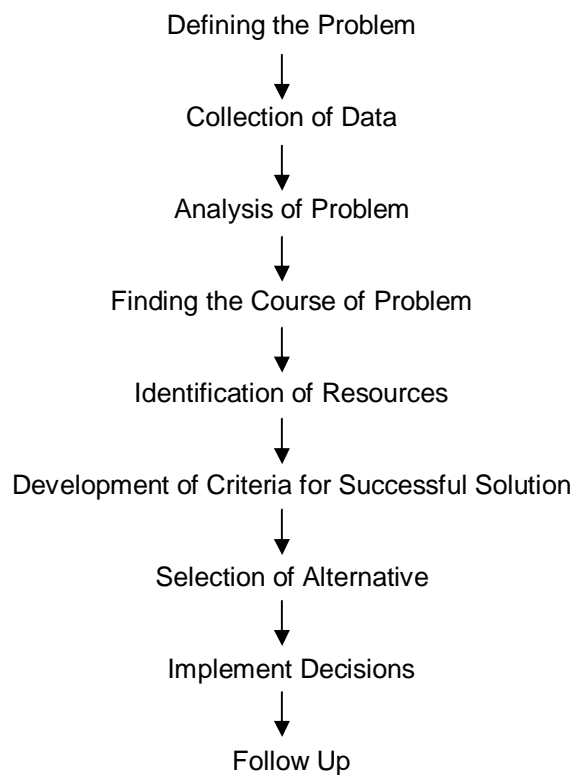
According to Peter Ducker, "Tactical Decisions are 'Routine decision. They have certain alternatives which are related to economic use of resources.

Strategic Decisions are related to find out what resources are available how they can be use alternatively.

**Check Your Progress - 5.3**

1. .... decisions are routine in nature.
2. .... decisions are related with formulating of policies.
3. Policy decisions are taken by .....
4. .... decisions are related to find out what resources are available and how they can be used.

**5.4 PROCESS OF DECISION MAKING**



**1) Defining the Problem:-**

Defining the problem is the problem half solved. Sufficient timing should be spent on defining the problem. It is very difficult to define the problem. The manager is responsible for defining the problem.

E.g.: - Like a doctor, he has to take into account all the symptoms before giving a medicine. A manager must carefully diagnose the problem & should tackle it tactfully.

**2) Collection of Data: -**

Information can be collected from internal sources as well as external sources. Right decisions depend upon the quality of information collected by the management.

**3) Analysis of the Problems: -**

Subject to systematic study depth information should collected & it should be classified properly. Information is based on facts, speculation& assumption.

Normally 98% information should be based on facts, 2% on speculation, 0% assumption.

**4) Finding causes of problems:-**

This is the most important aspect of understanding the problem. It is a complicated process to find out the exact cause is very essential.

**5) Identification of Resources:-**

It is necessary to identify available resources & the use of resources for achievements of goals. The management must make the list of resources that are available for solving the problem.

**6) Development of Criteria for successful Solution:-**

Criteria should not be established as early as possible. This criteria is useful for choosing the best alternative & divert the resources accordingly. This criteria is divided into "must & want". The must criteria are satisfied first & want criteria later on.

**7) Development of Alternatives: -**

Development of alternatives is most important step in the process of decision making. The effectiveness in decision making depends upon development of alternatives.

**8) Selection of Alternatives: -**

In order to select the best alternative following points should be considered i.e. risk, economy, time, availability of resources.

**9) Implementation of Decisions: -**

Implementation means putting the selective alternative into action. The process of implementation starts with assigning the responsibilities. Management must focus on the duties of the person. He must consider following points:-

1. Effective communication
2. Time for Decision Making
3. Acceptance by employee.

## 5.5 STYLES OF DECISION MAKING

There are various styles adopted by executives for taking decisions. The most commonly used styles are as follows.

**1) Autocratic Decision Making –**

Autocratic executives think that their subordinates do not have necessary abilities to take correct decisions and they do not like to take responsibility, hence he prefers to take decision on his own. He does not feel that it is necessary to discuss the problem with subordinates and in order to avoid wastage of time he takes decision and makes others to implement it. If anything goes wrong he tends to criticize the process of implementation rather than rationality of the decisions.

**2) Participative Decision Making –**

A participative executive believes that subordinates are aware about the problems and have necessary skill and abilities to solve them. In order to take advantage of the expertise and talents of the subordinates in the process of decision making, he believes that participative decision tends to be more realistic, practicable and acceptable to the subordinates. On account of their participation it motivates them to implement such decisions effectively and efficiently.

**3) Consultative Decision Making –**

When executives face complex and highly technical problems they prefer to discuss the issues with experts in related fields and after consultation they prefer to take decision. Sometimes they have to provide consultation to their subordinates for taking decisions.

### Check your Progress -5.5

#### True or false

1. Participated decision tends to be more realistic, practicable and acceptable to the subordinates.
2. In Autocratic decision making sometimes the executives have to provide consultation to their subordinates for taking decisions.
3. Technically, The middle authority makes the decisions.
4. Planning and control are closely interrelated and they determine the accuracy of decision making.

## 5.6 WHO MAKES THE DECISION?

Technically, The higher authority, that is top management, makes the decision. But, in practice, it may have been delegated by convention or rules.

If the cost of correction is large and if the chances of being wrong are high, then delegation is not desirable.

## 5.7 TECHNIQUES USED IN DECISION MAKING

In the decision making process three specific techniques have proved valuable. These are marginal analysis, financial analysis and the Delphi decision making techniques.

It has been observed that there is a current emphasis on competitive analysis. Various disciplines have contributed to research and development of application of mathematical techniques. The significance of their contribution depends essentially on the management attitude behind them.

Techniques are only aid to judgment and not substitute for judgment. Experience, experimentation, research and analysis also come into play in making decisions.

Planning and control are closely inter-related and they determine the accuracy of decision making. Control function ensures that objectives are met. It specifically considers 'Progress' towards and achievement of the end result, evaluation of the process used and 'Validation' of the end result. Hence, in decision making is important to set up control system.

## 5.8 SUMMARY

Decision is an act of choice where the organization reaches to conclusion. The main purpose of decision making is to direct human behavior.

#### Types of Decisions:

Major and Minor Decisions  
Programmed and un-programmed decisions  
Group and Personal decisions  
Policy and Operating decisions  
Long Term and Departmental Decisions  
Routine and Strategic decisions

## 5.9 CHECK YOUR PROGRESS – ANSWERS

### 5.1

1. decision making
2. organization
3. direct
4. Decision making

### 5.3

1. Programmed
2. Group
3. Top
4. Strategic

## 5.5

- 1.True
- 2.False
- 3.False
- 4.True

### 5.10 QUESTIONS FOR SELF – STUDY

1. “Decision making is the primary task of manager”- discuss. Outline the process of scientific decision making.
2. What do you mean by “decision making?” What are the factors affecting the process of decision making?
3. Explain the process of decision making.
4. Explain the different Styles of Decision Making.

### 5.11 SUGGESTED READINGS

Management : Task, responsibilities , Practice : Peter Ducker

Principles of Management of Management : P.C Tripathi & P.N. Readdy









## CHAPTER 6

# ORGANIZING

<b>6.0</b>	<b>Objectives</b>
<b>6.1</b>	<b>Introduction</b>
<b>6.2</b>	<b>Nature of Organization</b>
<b>6.3</b>	<b>Features of Organizational Structure</b>
<b>6.4</b>	<b>Types of Organization</b>
<b>6.4.1</b>	<b>Line</b>
<b>6.4.2</b>	<b>Functional</b>
<b>6.4.3</b>	<b>Line and Staff</b>
<b>6.4.4</b>	<b>Matrix Organization</b>
<b>6.4.5</b>	<b>Committee</b>
<b>6.5</b>	<b>Departmentation</b>
<b>6.6</b>	<b>Span of Management</b>
<b>6.7</b>	<b>Delegation of Authority</b>
<b>6.8</b>	<b>Centralization and Decentralization</b>
<b>6.9</b>	<b>Summary</b>
<b>6.10</b>	<b>Check your Progress – Answers</b>
<b>6.11</b>	<b>Questions for Self – Study</b>
<b>6.12</b>	<b>Suggested Readings</b>

## 6.0 OBJECTIVES

After studying this chapter you will be able to -

- Discuss the various types of organizations and their functions.
- Explain the Organizational structure.
- Explain the concepts of Centralization and decentralization.
- To state Departmentation and its types
- To Describe Delegation of Authority.

## 6.1 INTRODUCTION

Organizing is a process of co-coordinating employee's activities in an orderly manner. It is a managerial job. It specifies how work or duties shall be divided among the departments in the company, the policies to be followed while accomplishing the objectives, the scope and limits of responsibilities and the relationship of one job to another etc.

Organization defines the relationship between person to person, position to position, job to job and so on. It specifies orderly communication between various levels of responsibilities. It defines their authority and responsibility in a formal manner.

### Definitions:

It is often define as, "A collective entity of people who continuously engaged in same activity on a sustained basis to achieve an objective or objectives."

According to Oliver Sheldon, "A person of so combining the work which individuals or groups have to perform with facilities necessary for its execution that the duties to so perform provide the best channel for the efficient, systematic, positive & co-ordinate application of the available efforts."

According to Chester Bernard, "Organization is a system of consciously co-ordinate activity of two or more persons."

## 6.2 NATURE OF ORGANIZATION

The term organization can also be defined in two ways:

i.e. as dynamic process & as a structure.

As a dynamic process it is the managerial responsibility to bring people together to attain the objectives. It includes determining the authority & responsibility grouping of activities & arranging various activities for accomplishment of objectives. It also includes delegation of authority.

As a structure it established the relationship between various positions & jobs. This relationship builds to attain common goals. It is a blue print of how management will link functions & activities to be assigned & connected.

### **Elements of Organization**

The organization structure has under gone changes according to the changes in the business. However business recognizes the need for best organizational structure. So that they can function smoothly & from that the elements of organization are established.

Three elements or primary task of organization.

**1) Division of Work: -**

Objectives of organization are determined then total efforts & necessary must be classified & grouped. There should not be over lapping or duplication of work. Every one in the organization will do a purposeful work for attainment of objectives for that manager has to visualize the objectives. Division of total work is necessary so that these should not be extra burden on a single person. The enterprise can be divide according to function such as production, selling, finance, advertisement, etc.

**2) Authority: -**

In organization there is superior subordinate relationship. Every superior needs authority. In absence of authority directing becomes difficult. The subordinates have several responsibilities in organisation. There is authority and responsibility structure so that various positions are created.

**3) Establishment of Relationship: -**

In every organization structure there are different types of relationships. Such relationship may be administrative or operative, vertical, horizontal, formal & informal. Some will be working on the same authority level but most often at different levels of authority. This relationship is established for carrying the work smoothly. Relationship denotes the rules for team work in orderly sequence for attainment of objectives.

## **6.3 FEATURES /CHARACTERISTICS OF ORGANIZATIONAL STRUCTURE**

1. Organisation is man made. It consists of people, who have their own needs, goals & values.
2. It is goal oriented & purposeful. Its goals or objectives may be different.
3. It has its owned identity, distinct from people associated with it. It has its own form & function.
4. It is harmonized & managed by a specific group of people.
5. It is characterized by co-operative human nature. It involves skills in using of resources & technology.

### **6.1, 6.2 & 6.3 CHECK YOUR PROGRESS**

#### **Fill in the blank.**

1. .... is a process of coordinating employee's activities in an orderly manner.
2. Organizing is a ..... process.
3. .... is necessary to avoid extra burden of a single process.
4. In absence of ..... directing becomes difficult.
5. Organization is ..... made.
6. Organization is ..... oriented.

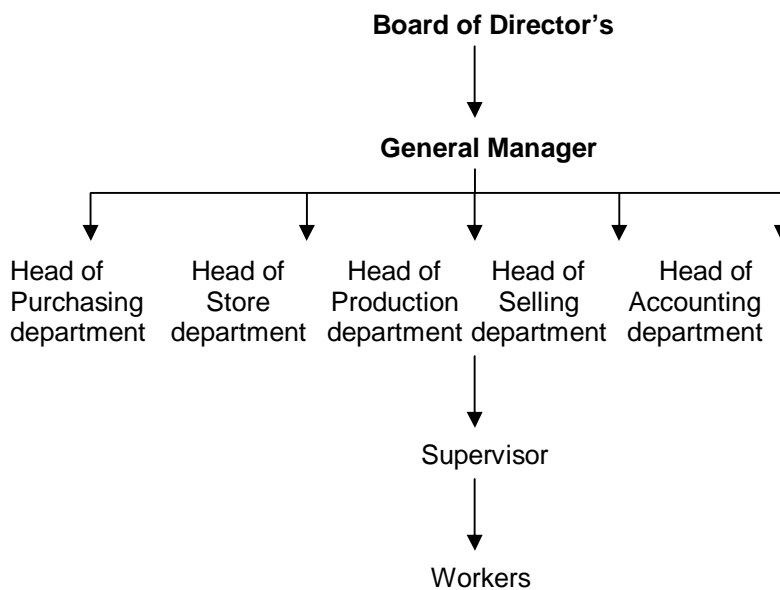
## 6.4 TYPES OF ORGANIZATION

Internally every organization has to be divided into smaller groups called 'Department or Section'. Proper co-ordination has to be maintained between all of them. This makes possible to attain organizational objectives by dividing the work among several individuals. For smooth functioning formal organization plays an important role. It shows responsibility and authority of each individual. For the convenience organization is designed in any of the following way:

### 6.4.1 Line organization: -

This is the oldest & simplest type of formal organization in which authority flows downward from highest level to the lowest level of the management. In the business, general manager issues all instructions to various departmental heads. They pass these instructions to supervisors & supervisors passed to the workers. Thus each member clearly knows from whom he has to receive orders and to whom he can give orders. Joint Stock Company is the best example of line organization.

#### Structure:



#### Advantages:

**1) It is very simple to understand & easy to follow up: -**

Every one working in this type is well aware of his own position. He knows his relationship with his supervisor as well as his subordinate. It helps in maintaining good discipline.

**2) Quick decision & prompt actions: -**

Since every one knows the extent & limit of his authority as well as his responsibility, it helps to take decision in time.

**3) Fixed responsibility: -**

The area of responsibility is fixed with each individual. This makes a person to alert in performing his responsibilities & help in higher efficiency.

**4) Flexibility: -**

Line organization can be easily expanded as per the changes in the external environment or internal conditions. Line structure helps the management either to add or delete from the existing organization staff.

**5) Less expensive: -**

This type of organization requires persons of reasonable qualification & reasonable experience with reasonable remuneration.

**6) High moral: -**

Line type helps in bushing moral of the employees in the organization. Their achievement & success can be easily recognized. This helps to improve efficiency.

**Limitations of Line Organization: -**

**1) Lack of service function: -**

Line organisation does not get any help from staff. Large organizations have to face complex problems. It is necessary to have expert advises from staff which has no scope in line organisation.

**2) Rigidity: -**

There is no scope for any change in the organisation structure for expansion or contraction.

**3) Heavy burden on line executives: -**

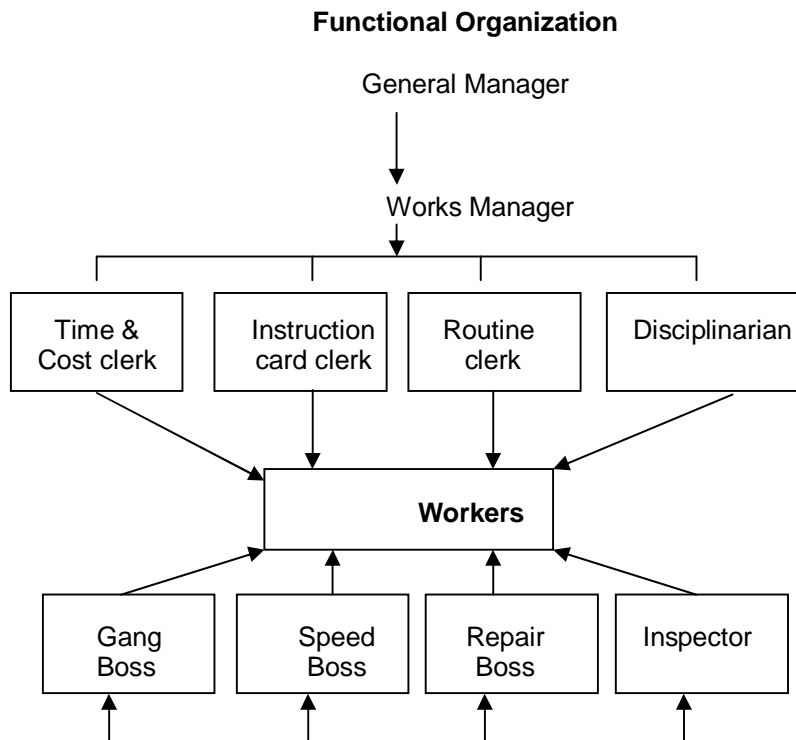
There are no separation of authority and responsibility and therefore line executives have to perform all kinds of activities. It makes heavy burden on line staff.

**4) Lack of communication: -**

When line organisation expands beyond level it will lead to lack of communication within the organisation, inefficiency, lack of co-ordination & difficulties in attainment of plans & policies.

**6.4.2 Functional organisation:-**

In the functional organisation work is divided according to specific function. Every specialist has authority to issue orders relating to specific functions of his department. Identical function of various departments are grouped together & headed by specialist.



**1) Routine Clerk: -**

He is the person who determines the method of work. He is expert technician. He determines complete lay out of work. E.g.: How raw material should be processed & in what stages.

**2) Instruction Card Clerk: -**

This person implements work according to the plan prepared by routine clerk instructions are prepaid in writing in advance. These instructions are prepaid for each job. This person has close contacts with workers.

**3) Time & Cost Clerk: -**

This clerk has contact with routine clerk & instruction card clerk. He determines the schedule for different types of jobs. He determines requirement of material for each job.

**4) Disciplinarian: -**

This person is responsible for the maintenance of piece orders & discipline. His main job is to see that workers attend work on time and that they complete their job within the scheduled time.

**5) Gang Boss: -**

It is the person who comes directly in to contact with the workers. He is responsible for implementation of the work i.e. making the workers work according to pre-determined standards. He looks after the lay-out of machines. He arranges for machinery & tools.

**6) Speed Boss: -**

The main function of speed boss is to see how quickly & skillfully the work can be done. He provides necessary instructions. He also gives demonstration on the machines. Speed boss is regarded as instructor teacher for the workers.

**7) Repair Boss: -**

Repair boss is responsible for maintenance for machinery tools & equipment. There are damages, depreciations, wear & tear of mechanical equipments. The main job of Repair Boss is to keep all machineries & tools in working condition.

**8) Inspector: -**

This inspector carefully analyses & examines actual performance and compares it with standard. He prepares report about performance of different workers on different jobs. He rejects those jobs which are not up to standard.

**Advantages of Functional Organisation: -**

**1) Benefits of minute specialization: -**

When the area of operation of each foreman is decided on the basis of technical division of labour all the advantages of specialization can be acquired, skill efficiency & knowledge in specific job increases. It plays as motivating factor.

**2) Benefits of expert's knowledge: -**

While preparing & determining policies expert services are taken. The plan becomes more efficient. In this process expert's knowledge talent and skill is utilized.

**3) Reduce pressure of duties: -**

The work of superior & foreman is reduced because of specialization. There is not strain the quality of supervision & control improved.

**4) Staff Specialization: -**

The advisory & executor staff specialized in the function of consultancy, staff officers, specialize in specific person are appointed. Hence adequate training is provided. They can share more responsibilities.

**5) Large production possible: -**

In the functional system there is high degree of flexibility. Thus specialization & standardization can be brought.

**6) Availability of supervisory staff: -**

Depending upon the nature of functional specialization the organization can employ the services of expert. The skill of employees can be increased by providing necessary training.

### **Disadvantages:**

**1) Over-lapping of Authority: -**

Due to specialization these are disorders in the organisation. The authority of two expert offices may be clash with each other.

**2) Difficult in assigning responsibility: -**

When many experts are responsible for doing job , responsibility can not be assigned to a particular individual. This reduces efficiency.

**3) Increasing cost: -**

In this type there are many experts and specialists are involved, results into increase in cost due to high salary. Such increase in cost is not favorable.

**4) Useful only for big organisation: -**

Only big manufacturing unit can adopt functional organisation system. Only such organisation can bear heavy cost of specialization.

**5) Indiscipline due to lack of unity of command: -**

Workers are instructed by many experts & they get confused. They can not decide as to what priority is to be given. This creates many problems. So there is lack of co-operation.

### **6.4.3 Line & Staff Organisation: -**

Line & staff organisation is combination of line organisation & staff organisation.

In this type the term line refers to 'doors'.

Staff refers to 'thinkers' these are parallel authorities.

The line authority is required to carry on day today function. The staff authority has advisory capacity. They are specialist who undertake research & suggest the ways & means of improving the performance of line executive. It is necessary to have co-operation & co-ordination between these personnel. Line personnel are related to production & staff carries on research planning, establishment of standards, recording of performance, legal advisor, etc.

In this way not only everyday work can be smoothly perform but by side improvement can also takes place. However line & staff organisation becomes expensive. It involves high administrative cost. Therefore it should be ensured that benefits derived from such authority should be more than cost involved.

### **Characteristics of Line & Staff Organisation: -**

When a business grows in size, it becomes necessary that the line officer should take the help of expert for the investigation. It has following characteristics: -

**1. Unity of command with specialization: -**

Though these are expert line officer exercise, authority to bring on unity in decision and action is essential.

**2. Co-operation of line & staff officer: -**

Staff officer helps line officer in making decision by providing help in the form of accurate information. It will help in proper decision making to bring unity, co-ordination & effective control.

**3. Expert services from administrator: -**

In the modern complex world expert advice is essential which is not possible by line officer. Staff officer help them in decision making. Line & staff meets the need of modern business.

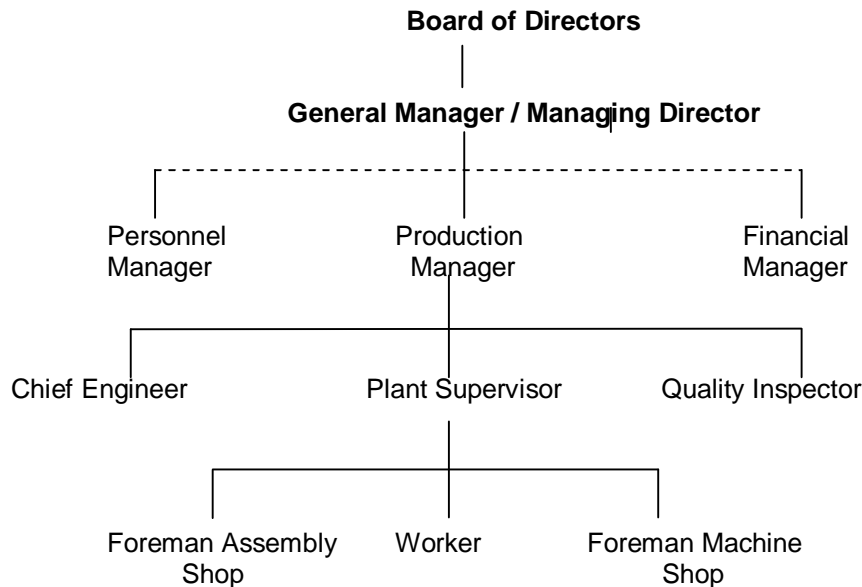
### **Advantages: -**

1) It reduces the burden of higher executives. The personal assistance relieve their superior & save valuable time. This helps them to concentrate on most important function.

2) It makes available expert knowledge from various concerns.

3) It provides opportunity for training for specialist position. A person, who is allowed to perform a particular task under the guidance of an expert in the field, will himself become an expert after adequate experience.

- 4) It makes possible unity of control. Line officers are responsible for end results and staff activities are connected with their department. Unity of control and responsibility is maintained at all levels.
- 5) It provides solutions to line problems. The staff specialist can undertake a problem arising in the line organisation. They devote full skill and knowledge for analysis. Staff managers are more important. They have current knowledge of market situation



**Limitations of line & staff organisation: -**

**1) It delays in decision making: -**

A general rule is that the line manager must consult with staff specialist before finalizing decision. It delays in decision making.

**2) It allows shifting of responsibilities: -**

When a line executive acting on the advice of an expert fails to achieve desired result, he will blame to expert for wrong advice.

**3) It creates conflict between line manager & staff specialist.**

**4) There is no unity of command: -**

In this organisation structure workers may receive commands from both [line & staff]. It will lead to confusion.

**5) Expensive: -**

Experts generally have to be paid with high remuneration. This adds to the overhead expansion.

**6) The staff will be ineffective due to lack of authority.**

**7) Useful for big manufacturing units: -**

As cost of organization is more, it is suitable for large scale organisation.

**8) Extra importance given to advice by staff: -**

Line officers depend upon staff officer's advice. They loose their confidence & take advice from staff officer even in routine matters.

**6.4.4 Matrix Organisation -**

Matrix organisation is hybrid structure. It is the combination of two structure i.e. functional department & project structure. Project team is created for specific project with high degree of technical skill and functional structure is permanent characteristic of matrix organisation. Matrix organisation has two dimensional structures. It is the combination of project structure and traditional functional department. The project manager is responsible for the success of particular project. He has authority over the members of project staff. Such project has definite time duration. Matrix organisation is originated in defense & aerospace industries in U.S.A.

Matrix organisation has been defined as 'Any organisation that employees a multiple command system, that include not only the multiple command structure & behaviour pattern.

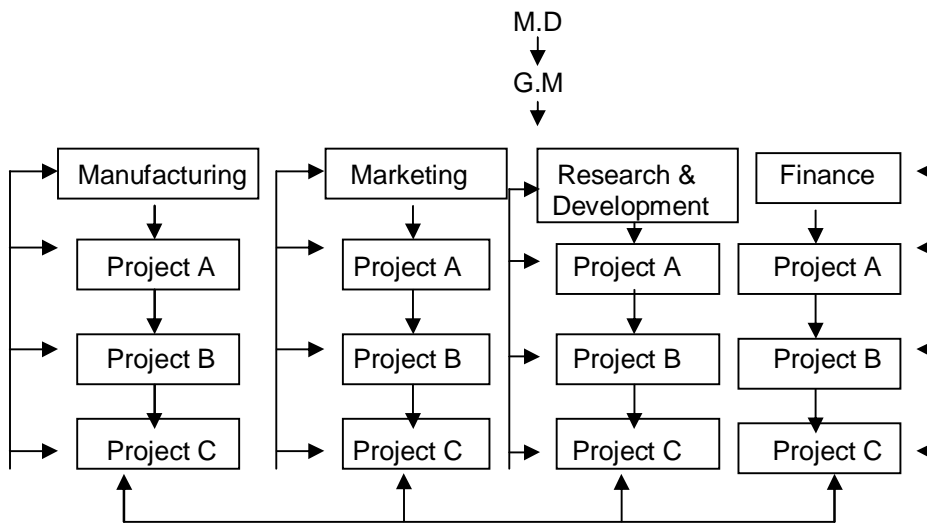
Sometimes matrix & project structures are considered to be same. However there is difference between these two. In project organisation the person who is the head of the project is completely responsible for that project. Matrix organisation is applied when organisation has large number of small projects and resources are diverted to other project.

In matrix organization project manager is appointed to co-ordinate the activities of project personnel. Each functional staff has two bosses.

- 1) Administrative head
- 2) Project manager.

There should be co-ordination between these two.

### Matrix organisation structure



#### Advantages / Merits: -

##### 1) Flexible & better response: -

It is the combination of traditional & project structure. So it can be easily changed according to changes in marketing condition, technology etc. which is helpful for the progress of the project. Effective information system helps to response quickly.

##### 2) Motivation: -

The project staff is motivated as the members are focuses directly for the completion of particular project. It helps to increase communication, co-ordination & co-operation.

##### 3) Avoidance of duplication: -

Each project is assigned the physical resources and personnel as per the requirement & duplication is avoided. Functional department provides support to project manager to balance between time, cost & performance.

##### 4) Proper environment for professionals: -

A proper environment helps the professionals to complete the job in time & make maximum contribution. Maximum contribution helps decision making process smoothly & helps in better control with proper chain

#### Disadvantages: -

##### 1) Problem of co-ordination: -

Conflicts may arise between team members & functional heads. Working relationship is not clearly balanced.



**2) Complex organizational relationship: -**

In matrix organisation, organizational relationship becomes very complex. Apart the formal relationship, informal relationship will also arise, that will create the problem of co-ordination.

**3) Conflicts & problems of co-ordination: -**

The problem of co-ordination violates the principle of unity of command. Each employee has two bosses 1) Functional 2) Project manager. Multiple flow of authority create problem of co-ordination.

**4) Low moral: -**

The success or failure of functional group depends upon its performance in the project. This may lead to emphasis on own group & on own function only. Therefore it will lead to conflicts between functional groups.

**5) Time consuming process: -**

Matrix organization is time consuming it requires major organizational changes which may give rise to number of problems. Re-organisation may lead to harm to the status and security of the employee. It will lead to delay in decision.

**6) Lack of clarity: -**

In matrix organisation there is multiplicity of vertical and horizontal relationship. This will lead to decrease in efficiency and increase in the cost of project.

**7) Violation of scalar principle: -**

The scalar principle is also violated as there is no proper balance between functional and project manager. Working relationship is not clearly defined.

**6.4.5 Committee organization:**

A committee is a group of people who work collectively, discuss, decide and recommend solutions to the problem (of a concern) which possibly can not be solved by an individual.

A committee consists of a group of men conversant with a subject, naturally their advice will be much superior to that of one man.

**Principles :**

- 1) The number of persons in a committee should depend upon the need and the optimum size is about 5 to 10 person.
- 2) Responsibility, authority, objectives and duties of the committee should be clear defined.
- 3) Agenda of the committee should be prepared and communicated to the committee members at least a week before they meet for discussion.
- 4) Problems, which can be taken care of by an individual, should not be included in the agenda of committee.
- 5) Committee meetings should begin and end on prefixed timing.
- 6) Problem not related to the subject matter at hand should not be discussed because it will simply waste time.
- 7) The operation of the committee should be a co-operative development.
- 8) The recommendations made by the committee should be published and circulated to interested and concern persons. The committee should take actions based upon its recommendations.
- 9) A committee must be dissolved after its purpose is over.

**Types of Committee :**

- 1) A standing or permanent committee: It is needed in a complex organization experiencing multifaceted problems almost all the times.
- 2) A temporary committee: It is formed to face and solve the problems arising occasionally.

- 3) The committee in control: It has full power to act and may assume a position that could be managed by one individual.
- 4) The Co-ordination and discussion committee: It discusses problems and gives its advice. It has no power to act.
- 5) The advisory committee: It explores various aspects of a problem and suggests courses of actions to the concerned executive, there by helping him to reach the decisions for which he is held responsible. The committee does not have power to act. Advisory committee is used extensively in a business.
- 6) The educational committee: It aids in getting information about company problems, policies and projects to major individual concerned. It also gives an insight in to the ultimate company.

**Advantages :**

- 1) A committee co-ordinate the efforts of the departments which are represented in development of new products.
- 2) A committee often performs worth-while-tasks since two experts are better than one.
- 3) Committee is of special value in broad policy determination and rounding out plans.
- 4) A committee reduces the work load of management.
- 5) Committers are especially good at innovation or brain storming.
- 6) A committee helps securing co-operation of various persons.
- 7) A committee is effectively used to appoint persons to fill vacant positions in the enterprise.
- 8) Committee meetings may be called to train younger executives and to give them an insight in to the operation of the business.

**Disadvantages :**

- 1) Some times it turns out to be true that what a committee finishes in a week, a good individual complete in a day.
- 2) It may be said that committee operations are slow and committees tend to hang on for a considerable time.
- 3) In a committee, no individual can be held responsible for anything.
- 4) Committee decisions represent generally a compromise positions and do not truly reflect the real feelings of the individual committee or group members.

**Check Your Progress: 6.4**

**Fill in the blanks.**

1. Internally every organization has to be divided into smaller groups called .....
2. ....organization is the oldest and simplest form of formal organization.
3. In the ....organization work is divided according to specific function.
4. ....is responsible for maintenance of tools and equipments.
5. ....is responsible for maintaining orders and discipline.
6. ....is combination of two organizations.
7. ....organization is hybrid structure.
8. A .....group of people who work collectively.

## 6.5 DEPARTMENTATION

Departmentation means grouping of activities into sections, departments, and higher administrative units.

Departmentation is the process of analyzing, dividing and arranging work or activities into manageable portions for individuals, sections and departments.

Departmentation is an integral part of the overall process of organizing. It involves the horizontal expansion of the organization. It creates smaller units of administration being called as departments.

A department is a work group combined together for performing certain functions of similar nature. These departments may be called as sections, units, branches and divisions.

### Process of departmentation:

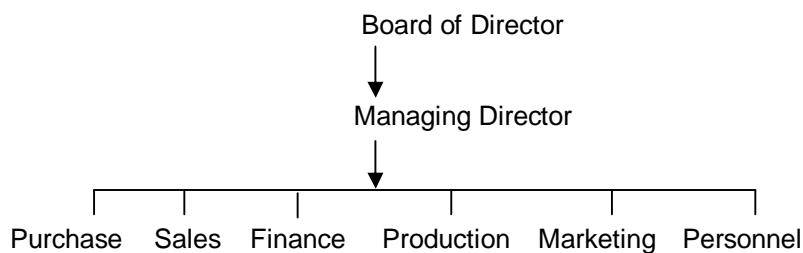
- 1) **Identification of task: -**  
When scope of function is determine division into different department is easy.
- 2) **Analysis of task: -**  
It helps in assessment of responsibility.
- 3) **Description of function: -**  
Under this process, the different functions are to be performed by different individuals and the groups.
- 4) **To appoint head section: -**  
The head of the department is expert in the specific field. He supervises the work done by groups.
- 5) **Responsibility and authority -**  
The ultimate responsibility for the performance of whole department is with the departmental head.

### Bases of departmentation:

Departmentation by function.  
Departmentation by location or territory.  
Departmentation of customer.  
Departmentation by product or service.  
Departmentation by process.  
Departmentation by time.

#### 1. Departmentation by function: -

Every industrial undertaking is concerned with manufacturing and selling of commodities to earn profit in every business. Primary function such as manufacturing, selling, finance, remain same. Most of the big organizational units has department such as – sales, purchase, finance, production, marketing, personnel etc. This is known as departmentation by function.



### Advantages: -

- 1) It helps in full utilization of available manpower it helps to reduce cost.
- 2) It helps in better control and fixing responsibilities of individual.
- 3) There can not be any overlapping between executor and advisory functions.
- 4) There is proper segregation of work in respect of each function.

5) This system does not set any limit on the path of the business.

**2. Departmentation by location or territory: -**

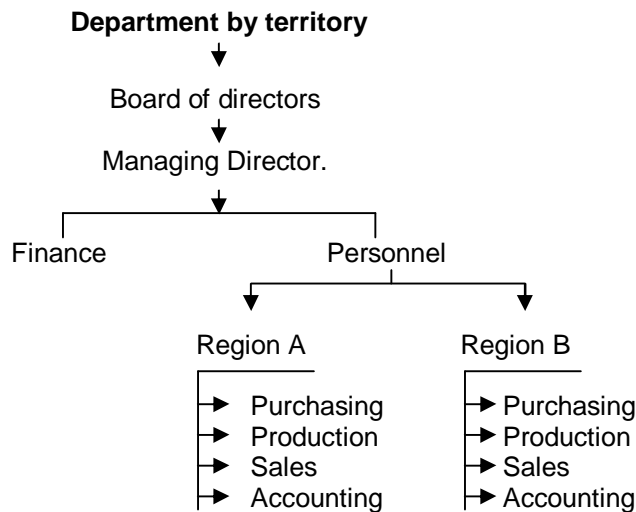
As the business enterprise grows & spread over the country, it becomes desirable to divide some activities among branches away from main centre of operation. Manager take charge of the activities & local factors ignored while taking decision. The territory means district, city or state.

**Advantages: -**

- 1) Over cost of operation due to economy in transferred cost & favorable raw material prices.
- 2) Knowledge of local circumstances helps decision making.
- 3) It provides a good training for managers.
- 4) It assists in creation of customers' goodwill by satisfy the needs of the local people.

**Disadvantages:**

Less of control and co-ordination by head office & duplication of activities.

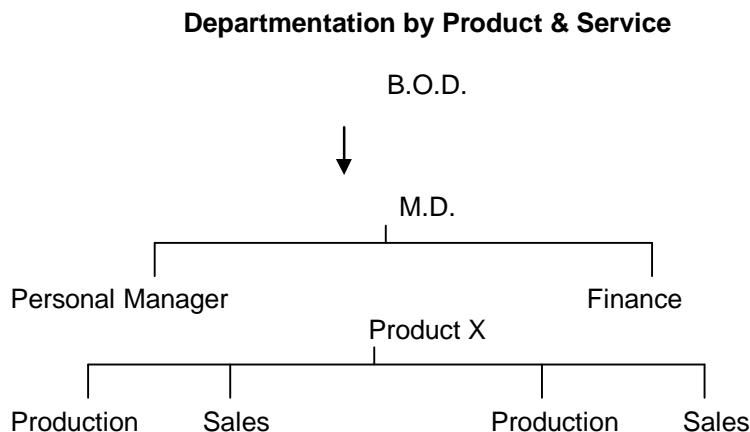


**3. Departmentation by product or service: -**

Departmentation by product or service is setup for goods & services. It is adopted by large scale organisation but can work efficiently in smaller one also. Top management can delegate wide authority to a division or plant.

This type of department has following advantages: -

- 1) It helps in specialization of man & machine.
- 2) Better co-ordination becomes possible & better services are given to customer.
- 3) Management is given a wide responsibility.
- 4) Responsibility of profit may be fixed by setting standard.



**4. Departmentation by customer: -**

In these type of activities the group according to various type of customer. In sales department, department may dealing with large and small customer or whole seller & industrial buyer.

The advantage of this method is satisfies various needs of customer & it brings the benefit of customer. These disadvantages arise in co-ordination under utilization of duplication of facility.

**5. Departmentation by process: -**

In this type activities are grouped around the process for type of equipment which can't be made in economical, small units must therefore be costly & specialized.

**Process department has advantages: -**

- 1) Similar type of equipment & labour are brought together & their use can be made efficiently.
- 2) It is suitable for organisation manufacturing product which involved number of process.
- 3) Principle of specialization is followed with help of technical consideration.

**Disadvantages: -**

- 1) It does not give any opportunity for overall development of managerial talent as it does not provide good training for manager.
- 2) It is difficult to compare performance of different processes.
- 3) If one department's product is of inferior quality then the final product will be inferior.

**6. Department by time: -**

Here the activities are grouped on the basis of timing of their performance. E.g. Hospital works in shifts.

**Advantages: -**

- 1) Services can be rendered through out the day that is 24 hours.
- 2) The use of process can't be interrupted & required of continuing cycle become possible.
- 3) Expensive capital equipment can be used for more than 8 hours.

**Disadvantages: -**

- 1) Supervision during a night shift may not be effective.
- 2) It is difficult for most people to switch from day shift to night shift.
- 3) Having several shift may creates problems in co-ordination & communication.
- 4) Payment of overtime rate will increase the cost of product.

**6.4 Check Your Progress:**

**Fill in the blanks.**

- 1. .... means grouping of activities into sections.
- 2. When the departments are divided into as per cities and towns it is called as departmentation by .....
- 3. In ..... activities are grouped around the process.

**6.6 SPAN OF MANAGEMENT**

There is a limit to the number of persons or activities that a manager can effectively manage. Span of management indicates the number of people who can be effectively managed by one executive.

Span of management refers to the number of subordinates for whose activities an executive should be held responsible.

**Definitions:**

Manager's span of control is a statement or expression or the limitation of the number of subordinates or activities that he can manage properly.

Factors influencing the span of management:

1. time devoted to supervision
2. variety and importance of activities
3. repetitiveness of activities
4. capacity and experience of manager
5. ability of subordinates
6. centralization

It is clear that there is a limit to the number of persons that can be supervised by one boss. The span of control should be minimum as far as possible. The number of subordinates depends upon manager's ability, his job, the complexity of the duties of subordinates, the nature and importance of the work to be supervised etc.

## 6.7 DELEGATION OF AUTHORITY

**Meaning: -**

Delegation of Authority means assigning the work to other & giving them authority.

In simple word delegation of authority is the process of dividing the job & trust on others. Within the organisation delegation of authority become simple with the help of departmentation & grouping of similar activities.

**Definition: -**

According to Luis Allen delegation is the instrument of responsibility & authority to another and creation of accountability for performance.

**Importance: -**

As a business enterprise grows, a manager has to delegate part of his work to others in the process of delegation. It helps the manager to free from routine work. It helps to develop the ability of subordinate when the volume of work to be done increases beyond the capacity of an individual with the help of delegation, duties are assigned to individuals and authority can be passed forward.

Without delegation existence of organisation can not have any sense. It is a key to organisation. A manager after delegation can not remain silent person. He still ultimately is liable to supervise the performance. That is why he delegates authority along with duty but not whole responsibility.

**Elements of delegation :****1) Assignment of duties: -**

There is a delegation of duties & responsibility, in the sense that superior indicates what he wants from the sub-ordinates to do. The most important thing for the manager is to know what to delegate & what not to delegate. The duties assigned to sub-ordinates can be expressed in the term of functions or goals.

**2) Granting authority: -**

The subordinates must in addition to give the permission to do the work which is delegated to him. In other words the subordinates must get certain rights, powers and responsibility which is necessary for him to perform the job. He must be given proper and adequate authority in relation to responsibility. E.g. Authority of withdrawal of cash.

**3) Executing responsibility: -**

The sub-ordinate to whom a particular task has been delegated must be made accountable for the performance of his work. The sub-ordinates must be made accountable for success & failure. When sub-ordinate accepts the work delegated to him must give promise to perform this work according to the duty assigned to him.

**Advantages: -**

- 1) Delegation is effective function of an organisation. With effective delegation proper relationships are established in the organisation. It will lead to better co-operation and co-ordination.
- 2) Delegation helps the enterprise to grow, expand and diversify activities.
- 3) Delegation helps the executive to concentrate on managerial function and relieving them from routine work.
- 4) With proper delegation not only co-ordination is possible but control is made easier as authority & responsibility is clearly defined.
- 5) This helps sub-ordinates to get confidence and develop their capability to undertake change.

**Difficulties in delegation of authority: -**

Delegation of authority involves transferring some responsibility to subordinates. It requires proper skill and it involved granting of rights & authorities.

**A] Reluctant / Refusal on the part of managers: -**

**1) Non better than 'I': -**

I can do better myself; some executives feel that if they delegate their work, the subordinates will not do it in a proper manner and ultimate responsibility rest on them.

**2) The company can not do without me: -**

The executive feels that he knows everything in fact he want other to know only about routine work. He makes him sure that he can never be replaced.

**3) Lack of ability to direct: -**

This refers to incompetent superior. Some superiors do not have skill to direct properly.

**4) Slave of old habits: -**

It may be that a person has to be promoted to managerial position, such person as an old habit making all the work by him.

**5) Absence of control: -**

The executive must have skill to control in difficulties in absence of this he hesitate to delegate authority.

**6) Reluctant to accept risk: -**

Delegation involves decision making by subordinates. Delegation means a risk. Wrong decisions may lead to non-attempt of goals. That is why only few executives are ready to accept risk.

**7) Conservative: -**

Some executives are very conservative and they dislike the task of risk.

**8) Lack of confidence in subordinates: -**

Executives feel that the subordinates are untrained, inefficient, uneducated & incapable of doing the job.

**9) Fear of subordinates: -**

No supervisor wants his subordinate better than him. If the subordinate proves better than him, may improve his own performance and will be replaced by subordinates.

**B] Reluctant on the part of subordinate: -**

It is not always the fact that superior alone is reluctant to delegate. But some times, subordinates are not ready to accept the work delegated to them.

**1) Spoon feeding habit: -**

The subordinate usually depend on the boss for decisions. They do not want to make any decision with out the help of the superior.

**2) Fear of criticism: -**

Subordinate may have superior who will always criticized him, abuse him whether he is good or bad. This is the main obstacle in delegation.

**3) Lack of self competition: -**

The executive may be willing to delegate but subordinate do not have self confidence. This will always try to avoid accepting any authority.

**4) Lack of positive incentive: -**

The delegated work may be over & above the routine work. This will lead to over burdening for that sub-ordinate must be given positive incentive. This is not necessary that incentives are always in the monetary term.

**Remedies suggested for better delegation:**

Delegation creates healthy relationship between superior & sub-ordinate. It depends upon the capacity of superior & willingness of sub-ordinates.

**In order to secure better and effective delegation following steps are suggested: -**

**1) Establishment of definite goals: -**

The establishment of clear & definite goals helps sub-ordinates to know what exactly to delegate. So this concept is very important.

**2) Establishment of definite responsibility & authority: -**

After the objectives are delegated & defined it is necessary to define authority & responsibility clearly. This helps sub-ordinates to know what his job is and what is his responsibility & authority.

**3) Proper motivation: -**

For effective delegation incentives must be given to the subordinates. Such incentives may be monetary [higher wages, bonus etc.] or non-monetary incentives [appreciation, increment, job satisfaction, participation in decision making]

**4) Provide proper training: -**

A sub-ordinate is expected to handle delegation of job as required by the superior. A superior must properly train the sub-ordinates in this direction.

**5) Providing proper guidance: -**

Adequate information, records, facilities and equipments acts as guiding tools for the sub-ordinate to do the delegated task.

**6) Effective control: -**

When superior delegates a part of his work he is not escaped from the responsibility. A superior still remains answerable to his sub-ordinate. He must constantly follow up the job, if any deviation in the standard, should be properly controlled.

**7) Confidence in sub-ordinate: -**

It is pre-requisite of effective delegation. A superior should never have any fear in his mind that the sub-ordinate will replace by him. So that he must encourage the sub-ordinate means he must have trust in sub-ordinate.

**8) Competent superior: -**

A superior delegating a work must be competent in his job. Then only he will get respect from his sub-ordinate. Under such a leader sub-ordinate will willingly accept the work to be delegated.



## 6.7. Check Your Progress

### Fill in the blanks.

1. .... means assigning the work to other and giving them authority.
2. Delegation of authority involves ..... some responsibility to subordinates.

## 6.8 CENTRALIZATION AND DECENTRALIZATION

Centralization and decentralization are the terms concerned with the authority or degree of power withhold.

Centralization and decentralization refer to the degree of delegation of authority to lower level of management.

### Centralization:

Centralization indicates minimum delegation. It indicates limited delegation and leads to narrow span of control and tall structure of organization. It may be described as the tendency to withhold the decision making power at higher levels of management.

In the centralization, decision making authority is concentrated in a few hands at the top which results in better integration and co-ordination. More centralization is desirable when top management wishes to exercise more direct control over organizational activities.

In this, communication channels are longer and are suitable when organization is small.

### Decentralization:

Decentralization means extensive delegation. It means the delegation and distribution of authority from the superior to lower levels. There is a dispersal of decision making authority. It indicates flat organization structure.

Decentralization is the systematic effort to delegate to the lower levels, all authority except that which can be exercised at central points.

In decentralization, communication lines are shorter and span of control is wider. As management levels are few, top executives are less burdened and so employees' morale is high.

When an organization is large and complex and where the work is not standardized or routine decentralization is suitable.

Complete decentralization is not possible because a manager cannot delegate all his authority without surrendering his position as a manager whereas, complete centralization is also not possible except in one man enterprise.

## 6.8. Check Your Progress:

### Fill in the blanks.

1. .... indicates minimum delegation.
2. .... means extensive delegation.
3. In ..... organization, decentralization is suitable.

## 6.9 SUMMARY

Organization is a system of consciously co-coordinating activity of two or more persons.

There are following internal types of organization.

- Line Organisation
- Functional Organisation
- Line and Staff Organisation
- Matrix Organisation

Authority is power to make decisions which guides the action of others.

Responsibility is the obligation of the subordinate to perform the duty as required by his superiors.

Delegation is the process of entrusting part of work by a Manager to subordinates. It is the ability to get result through others.

Centralization is the systematic and consistent reservation of authority at central points within the organization.

Decentralization implies a systematic delegation of authority throughout the whole organization.

Departmentation implies the division of total work of an enterprise into individual functions and sub-functions.

## 6.10 CHECK YOUR PROGRESS – ANSWERS

### 6.1., 6.2., 6.3

1. Organizing
2. Dynamic
3. Division of work
4. Authority
5. Man
6. Goal

### 6.4

1. Department
2. Line
3. Functional
4. Disciplinary
5. Repair
6. Line and staff
7. Matrix
8. Committee

### 6.5. 1. Department

2. Territory
3. Department by process

6.7 1. Delegation of authority                      2. Transferring

6.8 1. Centralization      2. Decentralization      3. Large

## 6.11 QUESTIONS FOR SELF – STUDY

1. What is functional organization? State its merits and demerits?
2. Write a note on Line and Staff Organisation.
3. Explain conflicts between line and staff. How they can be resolved
4. Explain the concept of Matrix Organisation. Discuss the advantages and limitations of Matrix Organisation.
5. Explain the significance of delegation of Authority. How can the delegation of authority be made effective ?
6. Explain the term 'Delegation of Authority'. Why is it necessary ? Why are executives reluctant to delegate ?
7. Delegation and decentralization are interchangeable terms in Management – Discuss.

## 6.12 SUGGESTED READINGS

Principles & Practices of Management : L. M. Prasad

Principles of Management : P. C. Tripathy & P.N. Readdy





