

# INTRODUCTION TO MANAGEMENT

(As per the Revised Syllabus of B.Com.  
(Accounting and Finance) Programme at Semester III  
with Effect from the Academic Year 2014-2015)

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*Dedicated to*

**Our Fathers**

**Mr. Mushtaque Shaikh**

**&**

**Mr. Shivaji Jamindar**

**Reshma Shaikh & Deepa Jamindar**

# Preface

We are happy to present the first edition of “**Management – Paper - II: Introduction to Management**” to the students of S.Y. BAF. This book is written as per the revised syllabus introduced by the University of Mumbai for the academic year 2014-15.

This book is presented in five Modules covering the various aspects of management and includes large number of illustrations in simplified language. The objective questions are properly classified to facilitate preparation for examination and are given along with solutions. This book is an unique presentation of subject matter in an orderly manner.

We hope that the book will be student-friendly and we are sure that it will be a tutor at home to the students. We hope the teaching faculty and students community will find this book of great use.

We are extremely grateful to Mr. Pandey of Himalaya Publishing House Pvt. Ltd., for their devoted and untiring personal attention accorded by them to this publication. We gratefully acknowledge and express our sincere thanks to the following people without whose inspiration, support and constructive suggestions, this book would not have been possible.

- *Mr. Jitendra Singh Thakur (Trustee, Thakur College)*
- *Dr. Chaitaly Chakraborty (Principal, Thakur College)*
- *Late Dr. Arvindkumar R. Parab*
- *Mrs. Janki Nishikhant Jha*
- *Mr. Shivaji Jamindar*

We welcome suggestions from students and teachers for further improvement of quality of book.

**Authors**

# Syllabus

<b>Sr. No.</b>	<b>Modules/Units</b>	<b>Number of Lectures</b>
<b>1</b>	<b>Introduction to Basic Management Concepts</b> Introduction to Management and Definitions of Management Nature of Management Objectives of Management Administration vs. Management Levels of Management Principles of Management	<b>10</b>
<b>2</b>	<b>Planning</b> Definitions and Importance of Planning Process of Planning Limitations of Planning Features of Sound Planning Features and Process of Decision Making	<b>10</b>
<b>3</b>	<b>Organising</b> Definitions, Nature and Significance Process of Organisation Principles of Organisation Formal and Informal Organisation – Features, Advantages and Disadvantages Centralisation and Decentralisation – Factors, Merits and Demerits Departmentation and Delegation	<b>10</b>
<b>4</b>	<b>Staffing</b> Meaning and Importance of Staffing Recruitment and its Sources Selection Procedure Distinction between Recruitment and Selection Employment Tests and Types of Interview	<b>10</b>

<b>5</b>	<b>Directing and Controlling</b> Meaning and Importance of Directing Principles of Directing Leadership Traits and Styles Motivation – Importance and Factors Coordination – Meaning, Features and Importance Meaning and Steps in Controlling Essentials of a Good Control System	<b>10</b>
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# Paper Pattern

## Credit Based Evaluation System Scheme of Examination

(a) Internal of Assessment – 25% 25 Marks

<b>Sr. No.</b>	<b>Particulars</b>	<b>Marks</b>
1.	One periodical class test*	20 Marks
2.	Active participation in routing class instructional deliveries and overall conduct as a responsible learner, mannerism and articulation and exhibit of leadership qualities in organizing related academic activities	05 Marks

(b) Semester end Examinations – 75% 75 Marks

1. Question Paper Pattern for Periodical Class Test for Courses at UG Programmes written Class Test 20 Marks

<b>Sr. No.</b>	<b>Particulars</b>	<b>Marks</b>
1.	Match the Column/Fill in the Blanks/Multiple Choice Questions (1/2 Marks each)	05 Marks
2.	Answer in one or two lines (Concept based Questions) (1 Mark each)	05 Marks
3.	Answer in Brief (Attempt any two of the three) (5 Marks each)	10 Marks

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# 1 Introduction to Basic Management Concepts

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- ❖ Introduction to Management and Definitions of Management
- ❖ Nature of Management
- ❖ Objectives of Management
- ❖ Administration vs. Management
- ❖ Levels of Management
- ❖ Principles of Management

## **MANAGEMENT — MEANING AND DEFINITIONS**

### **Introduction**

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

### **Meaning of Management**

Management is the art of getting things done by a group of people with the effective utilisation of available resources. There are

various definitions given by various management gurus but simply management is the process consisting of the functions of planning, organising, staffing, directing and controlling the operations to achieve specified objectives.

### **Definitions of Management**

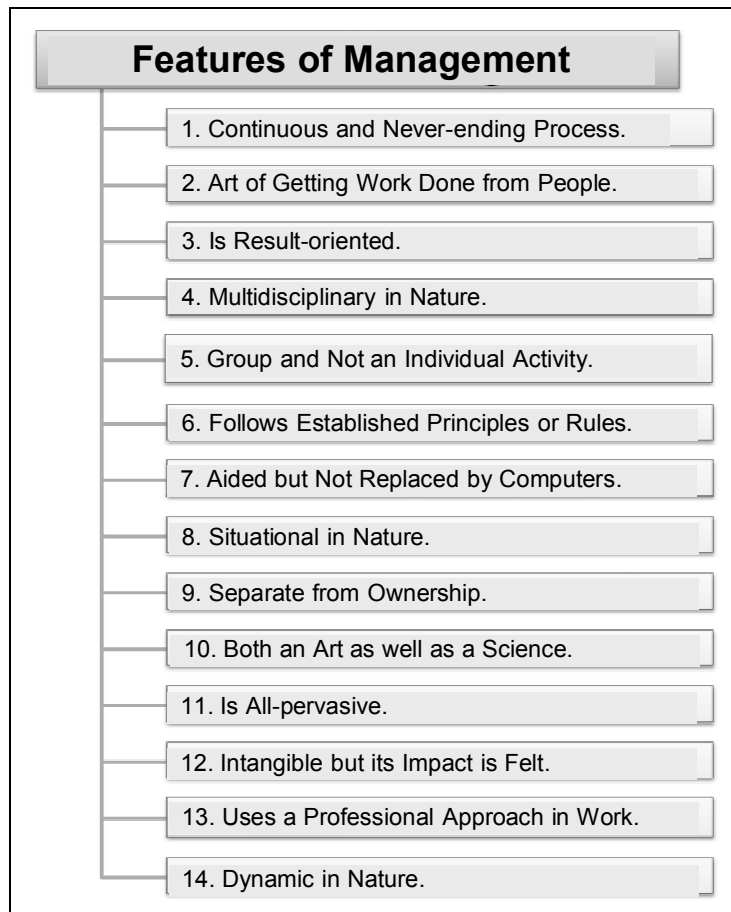
- **Harold Koontz** defines “Management is the art of getting things done through and with people in formally organised groups.”
- **Mary Parker Follet** wrote “Management is the art of getting things done through people.”
- **Henri Fayol** stated “To manage is to forecast and to plan, to organise, to command, to coordinate and to control.”
- **Peter Drucker** defines “Management is a multi-purpose organ that manage business and manages managers and manages workers and work.”

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

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

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

The main characteristics of management are as follows:



Now let's briefly discuss each features of management.

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

- 2. Getting Things Done through People:** The managers do not do the work themselves. They get the work done through the workers. To get the work done, managers need to lead the subordinates, to communicate effectively and to motivate the subordinates. A favourable work environment should be created and maintained.
- 3. Result-oriented:** Management is result-oriented. It gives a lot of importance to result. All the activities of managers are focused on the achievement of goals or result. Management always wants to get the best results at all times. The result can be in the form of increase in market shares, increase in profits, optimum use of resources, higher efficiency etc.
- 4. Multidisciplinary in Nature:** Management has to get the work done through people. It has to manage people. This is a very difficult job because different people have different emotions, feelings, aspirations, etc. Similarly, the same person may have different emotions at different times. So, management is a very complex job. Therefore, management uses knowledge from many different subjects such as Economics, Information Technology, Psychology, Sociology, etc. Therefore, it is multidisciplinary in nature.
- 5. Group Activity:** Management is not an individual activity. It is a group activity. It uses group (employees) efforts to achieve objectives. It tries to satisfy the needs and wants of a group (consumers). Management gives importance to the team and not to individuals. The combined efforts of all the managers bring success to the organisation.
- 6. Follows Established Principles or Rules:** Management follows established principles, such as division of work, discipline, unity of command etc. These principles help to prevent and solve the problems in the organisation.
- 7. Aided but not Replaced by Computers:** Nowadays, all managers use computers. Computers help the managers to take accurate decisions. However, computers can only help management. Computers cannot replace management. This

is because management takes the final responsibilities. Thus, management is aided but not replaced by computers.

8. **Situational in Nature:** Management makes plans, policies and decisions according to the situation. It changes its style according to the situation. It uses different plans, policies, and styles for different situations. Management has to take decisions depending upon the situation. This is called Situational Management.
9. **Need not be an Ownership:** In small organisations, management and ownership are one and the same. However, in large organisations, management is separate from ownership. The managers are highly qualified professionals who are hired from outside. The owners are the shareholders of the company.
10. **Both an Art and Science:** Management is an art as well as a science. In practice, managing is an art. Management conducts continuous research. Therefore, it is a science. Management has characteristics of both art as well as science.
11. **All-pervasive:** Management is all-pervasive. It is applicable not only in business organisations but also in non-business organisations. Management is necessary for running all organisations. It is also essential for running non business organisations like educational institutions, charitable trusts, religious institutions etc.
12. **Management is Intangible:** Management is intangible, i.e., it cannot be seen and touched, but it can be felt and realised by its results. The success or failure of management can be judged only by its results. If there is good discipline, good productivity, good profits, etc., then the management is successful and *vice versa*.
13. **Uses a Professional Approach in Work:** Managers use a professional approach for getting the work done from their subordinates. They delegate (give) authority to their subordinates. They ask their subordinates to give

suggestions for improving their work. They also encourage subordinates to take the initiative.

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

## OBJECTIVES OF MANAGEMENT

Management is result-oriented. All the activities of managers are focused on the achievement of specific objectives. Management always wants to get the best results at all times. The objectives can be in the form of increase in market shares, increase in profits, optimum use of resources, higher efficiency etc. Following are the main objectives of the management.

1. **Organisational Objectives:** It refers to the objectives for the whole organisation. While fixing these objectives, management keeps into consideration the benefit of all the related parties (like owner, employee, customer, government, etc.). This also fulfils organisational economic objectives which are survival, profit and growth.
  - (i) **Survival:** Every business wants to survive for long. So, management by taking positive decisions with regard to different business activities should ensure that business survives for long.
  - (ii) **Profit:** To earn profit is an important objective of the every organisation. Profit is required for successful running of business activities. Profit is also required to face business problems. So, it must be ensured by the management that adequate profit is earned by the business.
  - (iii) **Growth:** Every business wants to grow. Management must ensure growth of business. Growth can be measured by sales, number of employees, products, capital investment, etc. If all these show an increasing trend, then it can be concluded that business is heading towards growth.

- 2. Social Objectives:** It refers to the objectives towards society. An organisation is established in a society. It runs through the resources made available by the society. It becomes the responsibility of every organisation to contribute for social benefits. Thus, social objectives are defined as the fulfillment of responsibility of an organisation towards society. Under this objective, the manager promises to assure health, safety and price control.

Main social objectives of management are included in the following list:

- To make available employment opportunities
- To save environment from getting polluted
- To contribute in improving standard of living
- To help weaker sections of the society
- To make optimum use of resources

**For example:**

Asian Paints has provided funds under its community development programme, which has made possible the effective utilisation of local resources by the farmers.

In the same manner, Steel Authority of India regularly provides services related to agriculture, industry, education, health, etc. to the people living nearby its steel plants.

- 3. Personal or Individual Objectives:** It refers to the objectives related to the employees of the organisation. The employees happen to be prudent and sensitive resource for the company.

It is, therefore, highly essential to take care of the feelings of the employees. It is an undoubted fact that the satisfaction of the employees means rapid progress for the company.

This fact of tremendous importance should never be lost sight of. Main objectives of management towards employees are as follows:

- To give deserving remuneration
- To provide good working environment

- To provide a share in profit
  - To provide job security
  - To provide health and safety measures
  - To increase workers' participation in management
  - To facilitate career development
4. **Getting Maximum Results with Minimum Efforts:** The main objective of management is to secure maximum outputs with minimum efforts and resources. Management is basically concerned with thinking and utilising human, material and financial resources in such a manner that would result in best combination. This combination results in reduction of various costs.
  5. **Increasing the Efficiency of Factors of Production:** Through proper utilisation of various factors of production, their efficiency can be increased to a great extent which can be obtained by reducing spoilage, wastages and breakage of all kinds. This in turn leads to saving of time, effort and money which is essential for the growth and prosperity of the enterprise.
  6. **Maximum Prosperity for Employer and Employees:** Management ensures smooth and coordinated functioning of the enterprise. This in turn helps in providing maximum benefits to the employee in the shape of good working condition, suitable wage system, incentive plans on the one hand and higher profits to the employer on the other hand.
  7. **Human Betterment and Social Justice:** Management serves as a tool for the upliftment as well as betterment of the society. Through increased productivity and employment, management ensures better standards of living for the society. It provides justice through its uniform policies.

## **ADMINISTRATION VS. MANAGEMENT**

There has been a controversy on the use of these two terms – management and administration. Many experts make no distinction between administration and management and use them as synonyms.



Several American writers consider them as two distinct functions. Many writers like Henri Fayol, William Newman, Chester Barnard, George Terry, Louis A. Allen, Koontz and O'Donnell make no distinction between management and administration.

There is one common science which can be applied equally well to public and private affairs. Therefore, the distinction between administration and management is superfluous or academic. In actual practice, the two terms are used interchangeably. The term administration is more popular in Government and other public organisations while the word management is more commonly used in the business world, where economic performance is of primary importance.

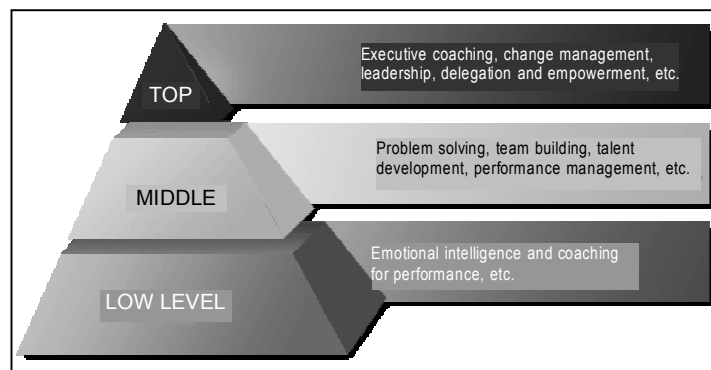
MANAGEMENT	ADMINISTRATION
<b>1. Meaning:</b> It is an art of getting things done through people.	It means to frame plans and policies to get work done systematically.
<b>2. Nature:</b> It is an executive or doing function.	It is a determinative or thinking function.
<b>3. Type of work:</b> It is concerned with implementation of the policies.	It is concerned with framing of the policies.
<b>4. Levels of management:</b> It is basically function of middle level and lower level management.	It is basically function of top level management.
<b>5. Functions involved:</b> Mainly directing and organising functions are involved.	Planning and controlling functions are involved.
<b>6. Skills required:</b> Technical and human skills are required.	Conceptual and human skills are required.
<b>7. Usage:</b> Used largely in business organisation.	Used largely in Government and Public sector.
<b>8. Skills required:</b> Technical and human skills are required.	Conceptual and human skills are required.
<b>9. Contact with employees:</b> The managers come into regular contact with employees.	The administrators do not come into regular contact with employees,
<b>10. Illustrations:</b> General Manager, Sales Manager etc	Commissioner, Registrar, Vice-Chancellor, Governor etc.

## LEVELS OF MANAGEMENT

Levels of management refer to hierarchy of management in the organisation. Levels of management are created to manage the activities of the organisation smoothly. This brings the division of work within the organisational structure. Normally, there are three levels of management namely:

1. Top level management
2. Middle level management
3. Lower level management

**Diagram of Levels of Management**



### 1. Top Level Management

It is the highest level in the managerial hierarchy. Top level management is the final authority in the organisation. It is generally occupied by the ownership group. In a joint stock company, equity shareholders are the real owners of the company. They elect their representatives known as Directors. All directors form board of directors. They manage the organisation. Besides the board, Managing Directors, General Manager, Chief Executive Officer, President and Vice-President also include in top management as they help board of directors in their work. The top level managers are answerable to the owners and responsible for overall management of the organisation. The major functions of the top level management are as under:

- To frame mission statement of organisation.
- To determine the business objectives.
- To formulate business plan for the entire organisation.
- To select departmental heads.
- To decide structure of organisation.
- To select executives of the organisation.
- To co-ordinate various sub-system of the organisation.
- To maintain relationship with outside parties like government, trade union, trade associations, etc.

## **2. Middle Level Management**

Middle level management is created to fill up the gap which exists between functional and operative level management. Middle level management consists of departmental managers, deputy managers, foremen and administrative officers etc. It is concerned with the interpretation of policies framed by top management. They act as a link between top and lower level managers. The main functions performed by these managers are as under:

- To prepare departmental plan.
- To establish departmental goals.
- To select lower level executives.
- To monitor and control the departmental performance.
- To organise resources in order to undertake departmental activities.

## **3. Lower Level Management**

Lower level management is known as supervisory management, because it is concerned mainly with personal oversight and direction of operative employees. It consists of factory supervisors, superintendents, foremen, sales supervisors, accounts officers etc. They directly guide and control the performance of workers. Their authority is limited. They have to obey the decisions taken by the top and middle level management. They guide day-to-day activities. They also represent the grievances of the workers to the higher levels

of management. Supervisory management performs the following functions:

- To make plan for day-to-day work.
- To supervise and guide workers.
- To maintain close personal contacts with workers.
- To ensure discipline and teamwork.
- To evaluate performance of the workers.
- To send reports and statements to higher authorities.
- To communicate the grievances and suggestions of workers to higher authorities.

## SKILLS OF MANAGEMENT

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

1. **Conceptual Skills:** Conceptual means hypothetical or theoretical. Conceptual skills help managers to visualise, to diagnose and to understand the various aspects of problems or situations. Conceptual skills comprise the ability to see the whole organisation and the interrelationships between its parts. These skills refer to the ability to visualise the entire situation and try to find out the solutions. Such competence is necessary for rational decision making. It deals with the ideas. The conceptual skill is particularly necessary in top level management.
2. **Human Skills:** It refers to interpersonal skills. It means the ability of the manager to interact with the subordinates. Human skills consist of the ability to work effectively with other people both as individual and as members of a group.

These are required to win co-operation of others and to build effective work teams. Such skills require a sense of feeling for others and capacity to look at things from other's point of view. Human skills are reflected in the way a manager perceives his superiors, subordinates and peers. All managers at all levels need these skills because every manager deals with people.

3. **Technical Skills:** Technical skills refer to the ability and knowledge in using the equipment, techniques and procedures involved in performing specific tasks. These skills require specialised knowledge and proficiency in the mechanics of particular job. This skill is particularly necessary at the lower level of management. Lower level managers have to supervise the work of the employees. A supervisor is mainly directing and controlling the employees. Therefore, he needs technical skill to undertake day-to-day operations.

Apart from above three skills, manager also requires few more skills. They are as follows:

4. **Administrative Skills:** Top level manager needs to be good administrator. As top level managers are managing the organisation, they need to have administrative skills. Administrative skills mean skills to get work done from others. In administrative skills, managers need to frame plans and policies. They need to coordinate activities and achieve goals.
5. **Diagnostic Skills:** Diagnostic skills means analytical skills. It includes the ability to analyse and examine the nature and circumstances of particular conditions. It is not only the ability to specify why something happened but also the ability to develop certain possible outcomes. It is the ability to cut through unimportant aspects and quickly get to the heart of the problem. Diagnostic skills are probably the most difficult ones to develop because they require the proper combination of analytic ability with commonsense and intelligence.

6. **Leadership Skills:** A manager must be good leader. He should lead and motivate his subordinates. Every manager needs to have leadership qualities. They should follow right leadership style depending upon the situations.
7. **Communication Skills:** Managers need to be effective communicators. They should know what to communicate, whom to communicate, when to communicate and how to communicate. Effective communication skill helps the manager to share information with subordinates and get suitable suggestions from them.
8. **Decision Making Skills:** All managers at all levels need to take decisions. Manager needs to develop alternative solutions of the problems and select the best one. Manager has to take quick and balance decisions.

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

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

1. **Division of Work:** According to this principle of Fayol as far as possible, the whole work should be divided into different parts. Each individual should be assigned only part of the work. The work should be assigned to different employees, as per their capacities, skills and interests. If a manager is turned to work on the same kind of activities for a long period of time, he will certainly be an expert in his particular job. Fayol says division of work leads to specialisation.
2. **Authority and Responsibility:** Authority means the power to take decisions and responsibility means the obligations for accepting authority. Fayol stressed that there should be a balance between authority and responsibility. Authority and responsibility always go hand in hand. When a person is

given the authority, he should be held responsible for the same task. If the manager is given the authority to complete a task within a given time, he should be held responsible if he does not do that in time.

3. **Discipline:** Discipline means obedience, respect for authority and observance of established rules. Discipline is essential for any successful work performance. Discipline needs to flow from top to lower level in the organisation. Employees must obey and respect the rules of the organisation. For effective discipline, there must be a clear understanding between the management and workers regarding the organisation's rules.
4. **Unity of Command:** According to the principle of unity of command, every employee should receive orders from one superior (boss) only. This is applicable from top management to bottom. The principle of unity of command tries to avoid confusion. If an employee receives orders from more than one superior, he will be confused and will not be able to complete the work on time.
5. **Unity of Direction:** Unity of direction means same directions to all employees doing similar job. There should be one head for one plan. The group of employees should be directed by one manager using one plan. In other words, there should be one plan of action for a group of activities having the same objectives.
6. **Subordination of Interest:** According to this principle, the interest of the organisation is above individual interest. Every employee should work in the interest of the organisation and not for their own self-interest. For example, if a manager takes some decision which harms him personally but results in a great profit to the company, he should give priority to the interest of the company and take the decision accordingly.
7. **Remuneration to Employees:** This principle states that the employees must be paid a fair wages for their services. Wages and salaries must be paid on time. While paying

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

8. **Centralisation:** Centralisation refers to the concentration of power or authority. According to this principle, there must be a proper balance between centralisation and decentralisation in the organisation. The superior should adopt effective centralization instead of complete centralization and complete decentralization.
9. **Scalar Chain:** It refers to formal line of authority which moves from top level to the lower level. It means each communication must move from top to bottom. Fayol states scalar chain must be followed in a strict manner. But scalar chain can be broken if situation so demands for the interest of the organisation. It is called as 'Gang plank'. Gang plank means cross communication, i.e., not following the chain. It avoids delays.
10. **Order:** According to the principle of order, a right person should be placed at the right job and a right thing should be placed at the right place. It means there must be proper arrangement of people and material in the organisation. This principle gives importance to proper utilisation of physical and human resources.
11. **Equity:** Equity means social justice and not equality. This principle is about fair and equal treatment to all employees. Managers should be kind and fair to their subordinates. There should not be any discrimination between the employees. As far as possible, there should be equal division of work. This avoids conflicts in the organisation.
12. **Stability of Personnel:** It means job security. While appointing an employee, the manager should assure the stability of tenure or job security to the employees. This creates sense of belonging among the employees. Employees should be made permanent. But at the sometime, incompetent and inefficient employees must be removed.



- 13. Initiative:** Initiative means taking first step. It also means thinking of new ideas. According to this principle, manager should encourage the employees to take initiative. The manager should welcome new ideas of the subordinates. This will enhance the moral of the subordinates. It also creates sense of belonging about the organisation in the mind of the employees.
- 14. Esprit De Corps:** Esprit de corps means union is strength. The manager should create team spirit among the employees. It improves loyalty, dedication and morale among the employees. Manager should build sense of togetherness among the employees.

### Review Questions

1. Define Management. Explain its features.
2. What is Management? Explain its objectives.
3. Distinguish between Administration and Management.
4. Describe the various levels of management.
5. Explain the different managerial skills required by the manager.
6. Explain any eight principles of management stated by Henry Fayol.

### Objective Questions

- 1. Select proper option from the choices given below and rewrite the sentence.**
1. F.W. Taylor is called as the father of \_\_\_\_\_ management.  
(a) Modern (b) Scientific (c) Technical
  2. 14 principles of management are developed by \_\_\_\_\_.  
(a) F.W.Taylor (b) Henry Fayol (c) Peter Drucker
  3. Management is a \_\_\_\_\_ activity.  
(a) Group (b) individual (c) social
  4. Management is a \_\_\_\_\_ science.  
(a) Social (b) physical (c) natural
  5. Formulating the corporate plan is main function of \_\_\_\_\_ management.

- (a) top management
  - (b) middle management
  - (c) lower management
6. The principle of equity refers to \_\_\_\_\_.
    - (a) Social justice (b) equality (c) disparities
  7. The top level managers require more of \_\_\_\_\_ skills.
    - (a) Conceptual (b) Technical (c) Directing
  8. The lower level managers require more of \_\_\_\_\_ skills.
    - (a) Conceptual (b) Technical (c) Non-technical
  9. The principles of \_\_\_\_\_ states that the interest of the organisation should be primary as far as the managers are concerned.
    - (a) Subordination of interest (b) Discipline
    - (c) Unity of direction
  10. \_\_\_\_\_ principle states that a subordinate should receive orders only from one superior.
    - (a) Unity of direction (b) equality
    - (d) Subordination of interest

**Ans:** 1. *Scientific* 2. *Henry Fayol* 3. *Group* 4. *Social*  
 5. *Top management* 6. *Social justice* 7. *Conceptual*  
 8. *Technical* 9. *Subordination of interest*  
 10. *Unity of direction*

**2. State whether the following statements are true or false.**

1. The process of management includes only planning and controlling.
2. Management must encourage labour turnover of competent employees.
3. Principles of management are rigid.
4. Principles of management improve the efficiency of employees.
5. According to Taylor, there should be scientific selection and training of employees.
6. Managers adopt multidisciplinary approach to get the work done from subordinates.
7. The principles of unity of command and the principles of unity of direction are synonymous.
8. Division of work only leads to specialisation.

9. The principles of management have only theoretical significance.  
 10. Management process is a one-time activity.

**Ans:** 1. False, 2. False, 3. False, 4. True 5. True, 6. True, 7. False, 8. False, 9. False, 10. False

**3. Match the columns.**

Group A	Group B
1. Division of Work	(a) Common Instruction
2. Authority	(b) Orders from one superior
3. Discipline	(c) Application and dedication
4. Unity of Command	(d) Power to take decision
5. Unity of Direction	(e) Specialisation

**Ans:** 1. (e), 2. (d), 3. (c), 4. (b), 5. (a)

Group A	Group B
1. Henry Fayol	(a) Universal
2. Principle of unity of command	(b) Centralisation of power
3. F.W. Taylor	(c) French engineer
4. Centralisation	(d) One man one boss
5. Management principles	(e) Father of Scientific Management

**Ans:**1. (c), 2. (d), 3. (e), 4. (b), 5. (a)

Group A	Group B
1. Planning	(a) Selection of staff
2. Organising	(b) Corrective action
3. Staffing	(c) Effective communication
4. Directing	(d) Grouping of activities
5. Controlling	(e) Deciding in advance

**Ans:**1. (e), 2. (d), 3. (a), 4. (c), 5. (b)



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# 2 Planning

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- ❖ **Definitions and Importance of Planning**
- ❖ **Process of Planning**
- ❖ **Limitations of Planning**
- ❖ **Features of Sound Planning**
- ❖ **Features and Process of Decision Making**

## **PLANNING — MEANING AND DEFINITIONS**

### **Introduction**

Planning is the fundamental and important function of management. Planning is the primary function of management. It is a process of setting goals and choosing the means to achieve these goals. A plan is a predetermined course of action to achieve a specified goal. Planning is deciding in advance what is to be done, when, where, how and by whom it is to be done. Planning bridges the gap from where we are to where we want to go.

Planning is the starting point of management. All other functions of management are related to and dependent on planning function. It helps to visualise the future problems and keeps the management ready with possible solutions.

Planning involves selecting mission and objectives and the action to achieve them. Planning requires decision making to choose from available future course of action. Planning is necessary to ensure proper utilisation of human and non-human resources.

### Definitions of Planning

- **Koontz and O'Donnell** defines "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it."
- **James Stoner** wrote "Planning is the process of establishing goals and a suitable course of action for achieving those goals."
- **George Terry** stated "Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualisation and formulation of purposed activities believed necessary to achieve desired results."
- According to **Billy E. Goetz**, "Planning is fundamentally choosing and a planning problem arises when an alternative course of action is discovered."

### NATURE/FEATURES/CHARACTERISTICS OF PLANNING

The main characteristics of planning are as follows:

1. **Primary Function:** Planning is primary and basic function of management. Planning lays foundation for other functions of management. It acts as a base to other functions of management. It serves as a guide for organising, staffing, directing, co-coordinating, controlling, etc. All the functions of management are performed within the framework of plans laid out.
2. **Intellectual Process:** Planning is an intellectual process. It involves intelligence, imagination and creative thinking. Planning is a mental exercise involving creative thinking, sound judgment and imagination. It is not a mere guesswork but a rotational thinking. A manager can prepare sound plans only if he has sound judgment, foresight and imagination. Planning is always based on goals, facts and considered estimates.

3. **Result-oriented:** Planning is made to achieve desired objective of business. Planning identifies the action that would lead to desired goals quickly and economically. It provides the desired direction for achievement of goals. Planning becomes meaningless if it is not related to clearly defined objectives.
4. **Future-oriented:** Planning is future-oriented. It is always done by keeping in mind the future needs. A good planner needs to think about future, analyse it and predict it. Thus, planning is based on forecasting. A plan is a synthesis of forecast. It is a mental predisposition for things to happen in future.
5. **Continuous Process:** Planning is a never-ending function due to the dynamic business environment. Plans are also prepared for specific period of time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions. Planning never comes into end till the enterprise exists issues, problems may keep cropping up and they have to be tackled by planning effectively.
6. **All-pervasive:** Planning is required at all levels of management and in all departments of enterprise. Of course, the scope of planning may differ from one level to another. The top level may be more concerned about planning the organisation as a whole. The middle level may be more specific in departmental plans and the lower level plans implementation of the same.
7. **Link between Past, Present and Future:** Planning is always for the future period but it is based on the past experience. It acts as a link between the past, present and future. It prepares plans for the future under the present situation.
8. **Involves Options and Decision Making:** Planning essentially involves options among various alternatives but there can be only one suitable option among the available alternatives. A manager has to take a decision and select the

best option depending upon requirement and available resources in the organisation. Decision making is an integral and inseparable part of planning.

9. **Designed for Efficiency:** Planning leads to accomplishment of objectives at the minimum possible cost. It avoids wastage of resources and ensures adequate and optimum utilisation of resources. A plan is worthless or useless if it does not value the cost incurred on it. Therefore, planning must lead to saving of time, effort and money. Planning leads to proper utilisation of men, money, materials, methods and machines.
10. **Basis of Control:** Planning and controlling are two sides of the same coin. Both are closely related to each other. Without the basis of planning, controlling activities become baseless and without controlling, planning becomes a meaningless exercise. Planning precedes controlling and controlling succeeds planning.

## IMPORTANCE OF PLANNING

Planning is one of the most important and crucial functions of management. It acts as base for the achievement of organisational goals. Importance of planning are as follows:

1. **Reduction of Uncertainty:** Future is always full of uncertainties. A business organisation has to function in these uncertainties. It can operate successfully if it is able to predict the uncertainties. Some of the uncertainties can be predicted by undertaking systematic forecasting. Thus, planning helps in foreseeing uncertainties which may be caused by changes in technology, fashion and taste of people, government rules and regulations, etc.
2. **Provides Direction:** A proper plan always gives proper direction for the achievement towards the desired goals. A manager can give proper direction to his subordinates only with the help of proper planning. Clear directions can be given to the subordinates at the right time and work can be

completed on time. Planning always helps to perform all the activities in smooth and systematic manner.

3. **Better Utilisation of Resources:** An important advantage of planning is that it makes effective and proper utilisation of enterprise resources. Effective planning leads to proper allocation of resources for various activities. This helps to generate higher efficiency.
4. **Focus on Objectives:** Planning is goal-oriented. Planning is made to achieve desired objective of business. It makes objectives more clear and specific. Planning identifies the action that would lead to desired goals quickly and economically. It provides the desired direction for achievement of goals. Planning becomes meaningless if it is not related to clearly defined objectives.
5. **Encourage Innovation:** Planning helps innovative and creative thinking among the managers. In planning process, manager gets opportunities to come out with new and better ideas in order to achieve objectives. It creates a forward-looking attitude among the managers. The innovative ideas give best result to the organisation.
6. **Increase Efficiency:** Good planning leads to proper and efficient working of the employees in an organisation. Plans are efficient if they achieve their purpose at a reasonable cost. Planning enables optimum utilisation of resources. The optimum use of resources helps the organisation to achieve highest returns at lowest cost.
7. **Improve Morale of Employees:** Planning brings order and discipline in an organisation. Employees know in advance as to what is expected from them and how to achieve that. This helps them to bring the best in their performance and also brings healthy attitude towards work, which in turn boost the confidence, morale and efficiency in them.
8. **Facilitates Organising:** Planning facilitates organising. It helps manager to organise the resources properly. Due to planning, it is possible for him to arrange resources in



advance in order to achieve the planned target. Sometimes manager may make arrangement for additional resources. It avoids shortage of resources.

9. **Facilitates Decision Making:** In planning process, manager frames alternative plans. After proper analysis of all plans, manager selects the best plan. A manager has to take a decision and select the best option depending upon requirement and available resources in the organisation. Decision making is an integral and inseparable part of planning.
10. **Facilitates Coordination:** Planning facilitates coordination. Top management plans for whole organisation and middle level management make departmental plans. The plan of one department is coordinated with the plans of all other departments. The top level coordinates the plans of middle level and lower level. It brings unity among the activities in the organisation.
11. **Facilitates Controlling:** Planning and controlling are two sides of the same coin. Both are closely related to each other. Without the basis of planning, controlling activities become baseless and without controlling, planning becomes a meaningless exercise. Planning precedes controlling and controlling succeeds planning. An effective controlling is possible with effective planning.

## LIMITATIONS OF PLANNING

Following are the limitations of planning.

1. **Costly Process:** Planning involves too much expenditure. Money and effort both are required in planning. Planning includes collecting information, data forecasting and evaluation of alternatives. It requires salary and allowances to the experts in the process of providing services. So, planning has been accepted as costly process by small and medium size organisations.

2. **Time-consuming:** Planning is the time-consuming process. It delays the business activity to come in action. In the process, there is a need to collect and analyse data before framing plans. There may be a need to get approval from higher authority. Planning may create problem to the organisation where immediate action has to be made. So, in such situation planning is not suitable.
3. **More Paperwork:** Planning involves lots of paperwork. Many times, plans are drawn and redrawn. Necessary report is also made and collected from the subordinates. Similarly, paperwork is also involved in taking approval from the top management.
4. **Reduces Creativity:** Under planning, all the activities are connected with the achievement of predetermined objectives of the organisation. Everybody works as they have been directed to do and as it has been made clear in the plans. They do not think about appropriate ways of discovering new alternatives. Planning strangulates the initiative of the employees.
5. **Delay in Action:** Planning requires some time for thinking, analysing the situation and designing the final plan. When emergency decision is required, it will take time and business will lose its opportunity. Moreover, delay in decision will further delay the action.
6. **Limited Practical Value:** Planning is too much theoretical and has a less practical use. Planning is more suitable when environment is suitable. But due to unsuitability of environment, business has to take various quick steps/decision. It may increase the requirement of resources and time.
7. **Improper Plan:** In planning, there may be problem of overtargeting or undertargeting. Overtargeting mean framing plan with higher targets and undertargeting means framing plan with lower targets. Both overtargeting and undertargeting are the situation of improper planning. Lower target will be easily achieved and manager will feel false

sense of security. On the other hand, overplanned target beyond resources cannot be achieved even all the efforts.

8. **Lack of Accuracy:** There is lack of proper accuracy in planning. Planning is based on future and future is always uncertain and unpredictable. What will occur tomorrow we can't say with certainty. Secondly, to make accurate plan, reliable data and accurate prediction is too necessary. In the absence of reliable data and accurate prediction, there is chance of business loss and failure. On the whole, it is clear that there is lack of proper accuracy in planning.
9. **Difficulty in the Selection of the Best Alternative:** It is one of the greatest demerits of planning. In fact, planning provides a large number of alternatives to organisation to perform its events or activities in the best form. But it is not possible for organisation to select the best alternative among the various alternatives because organisation has no clear idea about the best alternatives, due to large appearance of alternative courses.

## PROCESS OF PLANNING

Planning is one of the great importance to an organisation. The entire process of planning should be carried out in a systematic manner. The planning process involves the following steps:

1. **Determination of the Objectives:** The first step in planning is to identify certain objectives. The objectives set must clearly indicate what is to be achieved, where action should take place, who should perform it and when it is to be accomplished. The objectives should be established for the entire organisation and for each and every department. Planning has no utility if it is not related to certain objectives.
2. **SWOT Analysis:** SWOT analysis means to study Strengths, Weaknesses, Opportunities and Threats in the business. Before making plan, SWOT analysis has to be done. Internal environment and external environment must study properly. The internal environment consists of manpower, materials,

management-labour relations etc. External environment consists of government policies, competitions, consumer's preferences etc.

- 3. Development of Planning Premises:** The next step is the establishment of planning premises. Planning premises are the assumptions and predictions about the future. The assumptions are the basis of planning. Forecasting is important in premising. It helps in making realistic assumptions about sales, costs, prices, products etc. in future. This requires a collection of data on present trends and future possibilities.
- 4. Framing Alternative Plans:** The next logical step in planning is to determine and evaluate alternative courses of action. There are alternate plans available for the achievement of the objectives. The manager should try to find out all the possible alternatives. At the time of developing alternatives, he should screen out most viable alternatives. So, he has to analyse in detail a limited number of alternatives.
- 5. Evaluation of Alternatives:** Next step is to evaluate available alternatives. Alternatives are to be evaluated in terms of costs, benefits, risks, etc. One alternative may appear profitable but require heavy cash outlay whereas the other alternative is less profitable but involve more risk. Many quantitative techniques are available to evaluate alternatives. Evaluation of alternatives helps the planner to select suitable plan of action.
- 6. Selecting Best Alternative:** The sixth step in planning is selecting a course of action from among alternatives. In fact, it is the point of decision making. After evaluating the various alternatives, the best alternative which gives more benefits should be selected for implementation.
- 7. Formulating Derivative Plans:** To make any planning process complete, the final step is to formulate derivative plans to give effect to and support the basic plan. For example, if Indian Airlines decide to run Jumbo Jets between

Delhi and Patna, obviously, a number of derivative plans have to be framed to support the decision, e.g., a staffing plan, operating plans for fuelling, maintenance, stores purchase, etc. Each manager and department of the organisation is to contribute to the accomplishment of the master plan on the basis of the derivative plans.

- 8. Establishing Sequence of Activities:** Timing and sequence of activities are determined after formulating basic and derivative plans, so that plans may be put into action. The starting and finishing times are fixed for each piece of work, so as to indicate when and within what time that work is to be commenced and completed. To maintain a smooth flow of work, the sequence of operation must be decided.
- 9. Implementation:** The plan should be communicated to all persons concerned in the organisation. Its objectives and course of action must be clearly defined leaving no ambiguity in the minds of those who are responsible for its execution. Planning is effective only when the persons involved work in a team spirit and all are committed to the objectives, policies, programmes and strategies envisaged in the plan.
- 10. Follow-up:** It is also required to see whether the plan is working well in the present situation. If conditions have changed, the current plan has become outdated or inoperative, it should be replaced by another plan. A regular follow-up is necessary and desirable from effective implementation and accomplishment of objectives.

### FEATURES OF SOUND PLANNING

Planning is one of great importance to an organisation. The entire process of planning should be carried out in a systematic manner. The planning process involves the following steps:

- 1. Goal-oriented:** Planning should be goal-oriented. Planning should be based on clearly defined objectives. Plan must be made to achieve desired objective of business. Planner tries to make business objectives more clear and specific.

Planning identifies the action that would lead to desired goals quickly and economically. It provides the desired direction for achievement of goals. Planning becomes meaningless if it is not related to clearly defined objectives.

2. **Simplicity:** Planning must be simple and easily understandable. Facts, figures and other data must be well presented. A plan must be simple so that it is easy for middle and lower level managers to implement. Similarly, the top management must have no difficulty to understand and to approve it.
3. **Flexible:** Planning should be flexible or adaptable to changing conditions. Plans must not be rigid. There should be scope to make changes as per the changing situation.
4. **Balanced:** Planning must be balanced in all respects and should be reasonably comprehensive. There should not be overtargeting or undertargeting.
5. **Suitability:** A plan must be suitable to an organisation and its departments. Depending upon the available resources and capabilities, the targets must be set.
6. **Provides Standards:** Planning and controlling are two sides of the same coin. Planning is essential to measure actual performance and to compare actual performance with targeted ones. Planning should provide standards for the evaluation of performance and actions.
7. **Economical:** Planning should be economical i.e., permit optimum use of available resources before creating new authorities and new resources. Planning must facilitate optimum use of resources.
8. **Integrated:** Different plans must be properly integrated and harmonised with one another so as to ensure unity or consistency in plans. For example, the plan of marketing department must be coordinated with that of the production department. Both these departments will work in close harmony with each other.

9. **Provide Direction:** A good plan acts as a work map. It should provide proper direction so that the activities can be conducted smoothly. Plan must help manager to give proper direction to his subordinates.

## DECISION MAKING — MEANING AND DEFINITIONS

### Introduction

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

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

### Definitions of Decision Making

- **Haynes and Massie** defines "A decision is a course of action which is consciously chosen for achieving a desired result."
- The **Oxford Dictionary** defines the term decision making as "the action of carrying out or carrying into effect."
- According to **James Stoner**, "Decision making is the process of identifying and selecting a course of action to solve a specific problem."
- **Trewartha and Newport** defines, "Decision making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem."

## NATURE/FEATURES/CHARACTERISTICS OF DECISION MAKING

The main characteristics of decision making are as follows:

- 1. Selective Process:** Decision making is fundamentally choosing between the alternatives. It is the process of selecting a course of action from among many alternatives to solve problems. Managers have to consider the various factors before selecting a course of action. These factors involve nature of organisation, existing working environment, objectives of the organisation, time factors and so on.
- 2. Mental/Intellectual Activity:** Decision making is a mental as well as intellectual activity/process and requires knowledge, skills, experience and maturity on the part of decision maker. It is essentially a human activity.
- 3. Goal-oriented Process:** Decision making focuses on the organisational objectives. In course of functioning, many problems may arise in the organization. The management has to solve all the problems in proper time and also in a systematic manner by considering organisational goals. Thus, right decision at the right time contributes to achieve predetermined objectives within the defined time and standard.
- 4. Continuous Process:** Decision making is a continuous process. It existence is till the end of the organisation. In the course of regular performance, many problems may arise in different time and situation. Managers have to solve those problems in proper time. It is a never-ending activity in business management.
- 5. All-pervasive:** Decision making process is all-pervasive. This means managers working at all levels have to take decisions on matters within their authority. This function is performed by managers at all levels though the nature of decisions may differ from one level to another.



6. **Dynamic Process:** Decision making is a dynamic process. Decision making is always related to the situation or the environment. It is essential to consider time factor and existing environment, whenever any course of action is taken for implementation. A manager may take one decision in a particular situation and an opposite decision in a different situation. Managers have to consider future environments, which may affect future activities.
7. **Positive or Negative Impact:** A course of action may either have positive or negative impact on organisational performance. Managers have to consider, as far as possible, the positive impact of the action before coming to a decision.
8. **Time-consuming Activity:** Decision making is a time-consuming activity as various aspects need careful consideration before taking final decision. For decision makers, various steps are required to be completed. This makes decision making a time-consuming activity.
9. **Needs Effective Communication:** Decision taken needs to be communicated to all concerned parties for suitable follow-up actions. Decisions taken will remain on paper if they are not communicated to concerned persons. Following actions will not be possible in the absence of effective communication.

## PROCESS OF DECISION MAKING

Decision making involves a number of steps which need to be taken in a logical manner. This is treated as a rational or scientific 'decision making process' which is lengthy and time-consuming. Following are the important steps of decision making.

1. **Identification of Problem:** Identification of the problem is the first step in the process of decision making. It is rightly said that a problem well-defined is a problem half-solved. Information relevant to the problem should be gathered so that critical analysis of the problem is possible. This is how the problem can be diagnosed. Clear distinction should be

made between the problem and the symptoms which may cloud the real issue.

2. **Analysing the Problem:** After defining the problem, the next step in the decision making process is to analyse the problem in depth. In this step, the problem is thoroughly analysed. This is necessary to classify the problem in order to know who must take the decision and who must be informed about the decision taken. Various factors have to be considered like impact of decision, practical implementation, uniqueness of decision etc.
3. **Collecting Relevant Data:** After defining the problem and analysing its nature, the next step is to obtain the relevant information/data about it. Due to new development in the field of information technology, lots of information is available in the business world. All available information should be utilised fully for analysis of the problem. This brings clarity to all aspects of the problem.
4. **Framing Alternative Solutions:** After the problem has been defined and analysed on the basis of relevant information, the manager has to develop alternative solutions that could be used to solve the problem. Only realistic alternatives should be considered. If necessary, group participation techniques may be used while developing alternative solutions.
5. **Evaluation of Alternatives:** Next step is to evaluate available alternatives. Alternatives are to be evaluated in terms of costs, benefits, risks, etc. One alternative may appear profitable but require heavy cash outlay whereas the other alternative is less profitable but involve more risk. Many quantitative techniques are available to evaluate alternatives. Evaluation of alternatives helps the manager to select decision.
6. **Selecting Best Alternative:** The sixth step in decision making is selecting the best decision among available alternatives. After evaluating the various alternatives, the

best alternative which gives more benefits should be selected for implementation.

7. **Implementation:** After the selection of the best decision, the next step is to convert the selected decision into an effective action. Without such action, the decision will remain merely a declaration of good intentions. Here, the manager has to convert 'his decision' into 'their decision' through his leadership. For this, the subordinates should be taken in confidence and they should be convinced about the correctness of the decision.
8. **Follow-up:** Feedback is the last step in the decision making process. It is also required to see whether the decision implemented is solving the problem or not. Feedback is possible in the form of organised information, reports and personal observations. Feedback is necessary to decide whether the decision already taken should be continued or be modified in the light of changed conditions.

### Review Questions

1. Define planning. Explain its features.
2. What is planning? Explain its importance.
3. Explain the essential characteristics of a good plan.
4. Explain the main steps in planning process.
5. What are the constraints (limitations) that restrict the effectiveness of planning?
6. Define decision making. Explain the importance of decision making.
7. Explain the steps in Decision making process.

### Objective Questions

1. **Select proper option from the choices given below and rewrite the sentence.**

1. Planning is \_\_\_\_\_  
(a) Advanced Function (b) Basic Function  
(c) End Function

2. Deciding in advance as what is to be done, when it is to be done and who is to do it is \_\_\_\_\_ function of management.  
(a) Planning (b) Organising (c) Controlling
3. \_\_\_\_\_ involves deciding in advance in respect of future activities.  
(a) Planning (b) Organising (c) Controlling
4. Planning helps to \_\_\_\_\_ risks.  
(a) minimise (b) eliminate (c) enhance
5. The SWOT analysis is an important element of \_\_\_\_\_  
(a) Planning (b) Organising (c) Controlling
6. Generally professional managers frame \_\_\_\_\_ plans.  
(a) Alternative (b) Single (c) General
7. Plans need to be \_\_\_\_\_.  
(a) Complicated (b) rigid (c) flexible
8. \_\_\_\_\_ refers to fixing lower targets.  
(a) Balanced Targeting (b) Overtargeting  
(c) Undertargeting
9. Planning is \_\_\_\_\_ related activity.  
(a) present (b) future (c) past
10. \_\_\_\_\_ is a statement that reflects the vision, the basic purpose and philosophy of the organisation.  
(a) Objectives (b) Goals (c) Mission
11. \_\_\_\_\_ refers to the process of identifying alternatives and selecting a course of action to solve specific problem.  
(a) Departmentation (b) Directing  
(c) Decision making

**Ans:** 1. *Basic Function*, 2. *Planning*, 3. *Planning*, 4. *Minimise*, 5. *Planning*, 6. *Alternative*, 7. *Flexible*, 8. *Undertargeting*, 9. *Future*, 10. *Mission*, 11. *Decision making*

**2. State whether the following statements are true or false.**

1. Planning is an intellectual process.
2. Planning function alone can help to achieve organisation objectives.
3. Planning is of vital importance in the management process.

4. Planning and controlling are interdependent and interlinked activities.
5. Planning helps in controlling.
6. Planning helps to overcome all the risks in the organisation.
7. Plans need to be rigid.
8. The standing plans are used for a specific activity.

**Ans:** 1. True, 2. False, 3. True, 4. True, 5. True, 6. True, 7. False, 8. False

**3. Match the columns.**

Group A	Group B
1. Planning	(a) Selecting course of action
2. Overtargeting	(b) Approval of plans
3. SWOT analysis	(c) Study internal and external environment
4. Top Management	(d) Fixing high goals
5. Decision Making	(e) Primary function

**Ans:** 1. (e), 2. (d), 3. (c), 4. (b), 5. (a)



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# 3 Organising

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- ❖ **Definitions, Nature and Significance**
- ❖ **Process of Organisation**
- ❖ **Principles of Organisation**
- ❖ **Formal and Informal Organisation – Features, Advantages and Disadvantages**
- ❖ **Centralisation and Decentralisation – Factors, Merits and Demerits**
- ❖ **Departmentation and Delegation**

## **ORGANISING — MEANING AND DEFINITIONS**

### **Introduction**

**Organising** is the function of management which follows planning. It is a function in which the synchronisation and combination of human, physical and financial resources takes place. All the three resources are important to get results. Organising is the process of defining and grouping activities and establishing authority relationships among them to attain organisational objectives. Organising is assembling required resources to attain organizational objectives.

The word organising is derived from the word ‘organism’, which means that all sub-units of a main unit have a definite relationship with the main unit. Organising is the harmonious adjustment of special parts for accomplishing common purposes. Therefore, organisational function helps in achievement of results

which in fact is important for the functioning of a concern. Hence, a manager always has to organise in order to get results.

Planning involves selecting mission and objectives and the action to achieve them. Planning requires decision making to choose from available future course of action. Planning is necessary to ensure proper utilisation of human and non-human resources.

### Definitions of Organising

- **Theo Haiman** defines “Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationship among them.”
- **Mc Farland** wrote “Organisation is an identifiable group of people contributing their efforts towards the attainment of goals.”
- According to **Louis Allen**, “Organising is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.”

From the above definitions, we can conclude that, organising involves the following aspects:

1. Identification and classification of activities
2. Grouping of the activities
3. Assigning duties and responsibilities to subordinates
4. Delegating authority
5. Establishing superior-subordinate relationship

### NATURE/FEATURES/CHARACTERISTICS OF ORGANISING

The main characteristics of organising are as follows:

1. **Process:** Organising is a step-by-step process. It consists of the following steps:
  - Defining goals
  - Identifying and grouping of activities

- Defining and delegating authority and responsibilities
  - Establishing relationship in the organisation
  - Coordinating activities
2. **Goal-oriented:** Every organisation has its own objectives and goals. Organising is the function employed to achieve the individual goals of the employees with overall objectives of the firm.
  3. **Division of Work:** In every organisation, there should be division of work. The total work is divided into individuals and departments. Division of work leads specialisation. It improves efficiency and reduces human and non-human wastages.
  4. **Coordination:** Organisation is a means of creating coordination among different departments. It creates good relationship among employees and ensures mutual cooperation among individuals. Coordination increases success rate and desired goals can be achieved.
  5. **Rules and Regulations:** An organisation represents an orderly system where rules and regulations allow or disallow certain activities. Such rules and regulations may be either in writing or are being followed due to traditions and customs. These rules bring discipline in the organisation.
  6. **Chain of Command:** Organisation is a chain of relationships of superior and subordinate. Orders flow from top to bottom. Superior commands authority and is competent to get the work done.
  7. **Group of Individuals:** Individuals form a group and the groups form an organisation. Thus, organisation is the composition of individuals and group. Individuals are grouped into departments and their work is coordinated and directed towards achievement of organisational goals.
  8. **Authority and Responsibility:** Authority is the power to take decision. Responsibility means the obligations for accepting authority. When a particular activity or group of activities is assigned to an individual, he becomes



responsible for those activities. A manager can discharge his responsibility properly only when he has been given proper authority to take right decisions.

- 9. Effective Communication:** Effective communication keeps employees informed about the internal and external activities of the organisation. It helps the employees to understand the instructions of their superior.

## **SIGNIFICANCE OR IMPORTANCE OF THE ORGANISING**

A sound organising facilitates administration, promotes specialisation, encourages growth, and stimulates creativity. It can contribute to the success of an organisation. Hence, the significance of organising may be discussed as below:

- 1. Efficient Administration:** Organising is an important and the only tool to achieve organisational goals. Organising defines various activities and their authority relationships in the organisational structure. It can avoid confusion and delays in activities. It also avoids duplication of work and overlapping of effort. It is the mechanism by which management directs, controls, and coordinates the various activities in the enterprise.
- 2. Benefit of Specialisation:** In organising, all activities are subdivided into individuals and departments. The work is divided among groups of workers by division of labour. This helps in the completion of maximum work in minimum time. Thus, it gives benefit of specialisation.
- 3. Effective Administration:** The process of organising clearly specifies the duties and tasks of every manager and also their extent of authority. Everybody knows to whom he is accountable, thereby making effective administration possible.
- 4. Development of Personnel:** Organising facilitates delegation of authority. It provides opportunities to take decisions and delegate assignments to subordinate officers

and employees. Consequently, it helps them to develop better personnel by helping them grow with experience at work.

5. **Clarifies Authority:** Organisational structure aids in helping the manager to understand each person's role. This can be achieved in the manager being able to understand clearly how he has to use his powers. This aids in an increase in production as jobs and responsibilities that are well-defined make the manager's jobs much more efficient.
6. **Coordination:** Organisation is a means of creating coordination among different departments of the enterprise. It creates clear-cut relationships among positions and ensures mutual cooperation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level managers.
7. **Growth and Diversification:** A company's growth is totally dependent on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, coordination between authority and responsibility and concentrating on specialisation. In addition to this, a company can diversify if its potential grows. Company's diversification is possible only when the organisational structure is well-defined. This is possible through a set of formal structure.
8. **Training and Development:** A sound organising provides a good scope for the development of managerial ability through proper delegation of authority and decentralisation. It provides responsibility, sufficient freedom to the supervision and creative thinking in different levels. By this practice, managers are trained, developed and tested for assuming greater responsibilities in the future.
9. **Productivity and Job Satisfaction:** A sound organising is based on democratic and participative management. Hence, the entire organisational environment is favourable for productivity and job satisfaction.

## PROCESS OF ORGANISING

Organising is a step-by-step process. At each step, an important task is performed by the administrators working at the top level of management.

- 1. Determine Objectives:** First step in the organising process is to determine organisational objective. Every organisation must have specific and realistic objectives. Top management frames overall organisational goals. The middle level management frames departmental objectives. The lower level managers frame day-to-day activities.
- 2. Identification of Activities:** All the activities which have to be performed in a concern have to be identified first. Number of activities depends upon the objectives of the organisation. For example, preparation of accounts, making sales, record keeping, quality control, inventory control, etc. It should be done effectively. Activities which are not important are omitted.
- 3. Grouping of Activities:** Once all the activities are identified, the next step is grouping of the related jobs. This leads to set up of the departments and divisions in the organisation like production department, finance department, marketing department, and personnel department.
- 4. Assigning Work:** When activities are divided among departments, the next step would be to appoint suitable persons for the various tasks. Work is assigned to the employees on the basis of their skills and capabilities.
- 5. Delegation of Authority:** When some work is assigned to someone, then he must be given some authority to do that work effectively. Assigning work and delegation goes parallel to each other. Assigning work without proper authority is meaningless.
- 6. Establishing Relationship:** Relationships are established among various groups to enable smooth interaction toward the achievement of the organisational goal. Each individual is made aware of his authority and he/she knows whom they

have to take orders from and to whom they are accountable and to whom they have to report. A clear organisational structure is drawn and all the employees are made aware of it.

- 7. Coordination:** As all activities in organisation are distinct but they are interdependent, so there must be coordination among the departments. In absence of coordination, ultimate goal of the organization will not be achieved. Success of the organisation is fully dependent on better coordination between the different divisions and managers.

## PRINCIPLES OF ORGANISING

The organising process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act. To organise in an effective manner, the following principles of organisation can be used by a manager.

- 1. Principle of Specialisation:** According to this principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialisation can be achieved which results in effective organisation.
- 2. Principle of Functional Definition:** According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority-responsibility relationships help in achieving coordination and thereby organisation can take place effectively.
- 3. Principle of Unity of Command:** It implies one subordinate-one superior relationship. Every subordinate is answerable and accountable to one boss at one time. This helps in avoiding communication gaps and feedback and response is prompt. Unity of command also helps in effective combination of resources, that is, physical,

financial resources which help in easy coordination and, therefore, effective organisation.

4. **Principle of Scalar Chain:** Scalar chain is a chain of command or authority which flows from top to bottom. With a chain of authority available, wastages of resources are minimised, communication is affected, overlapping of work is avoided and easy organisation takes place. A scalar chain of command facilitates work flow in an organisation which helps in achievement of effective results. As the authority flows from top to bottom, it clarifies the authority positions to managers at all levels and that facilitates effective organisation.
5. **Principle of Span of Control/Supervision:** According to this principle, span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. As far as possible, there should be a limit on span of control.
6. **Principles of Flexibility:** Organisational structure must be flexible. Organisational structure must be flexible to adopt changes as per changes in business environment both internal and external. If organisational structure is inflexible, it may create problem of too complicated procedures, resistance to change, delay in work etc. Inflexible organisational structure is unable to meet the challenges of economic, technical, biological, political and social change.
7. **Principle of Balance:** According to this principle, there should be a balance between centralisation and decentralisation, between authority and responsibility etc. There should be balance between standardisation of procedures and flexibility.
8. **Principle of Rules and Regulations:** Every organisation must have clear rules and regulations. Rules and regulations bring discipline and ensure smooth flow of activities in organisation.

9. **Principle of Coordination:** Coordination means interlinking various organisational activities at all levels. It creates clear-cut relationships among positions and ensures mutual cooperation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level managers.

## FORMAL AND INFORMAL ORGANISATION

### Formal Organisation

#### *Meaning*

Formal organisation refers to a structure of well-defined authority and responsibility. Formal structure is primarily concerned with the relationship between authority and subordinate. Formal organisation is a fixed set of rules of intra-organisation procedures and structures. It exists to achieve well-defined and specific goals. In formal organisation two or more persons are consciously coordinated towards a common objective.

When the managers are carrying on organising process, then as a result of organising process, an organisational structure is created to achieve systematic working and efficient utilisation of resources. This type of structure is known as formal organisational structure.

Formal organisational structure clearly spells out the job to be performed by each individual, the authority, responsibility assigned to every individual, the superior-subordinate relationship and the designation of every individual in the organisation. This structure is created intentionally by the managers for achievement of organisational goal.

Following are the main **features** of formal organisation:

1. **Created Deliberately:** The formal organisational structure is created deliberately by the process of organising. The purpose of formal organisation structure is achievement of organisational goals.

2. **Based on Rules and Procedures:** Formal organisation is based on specific rules and procedures. The organisation has its own set of rules and regulations. These rules are to be followed by the people working in the organisation.
3. **Impersonal:** Formal organisation is impersonal. In formal organisations personal feelings are ignored. Strict discipline is followed. Formal organisation gives importance to work and not the person.
4. **More Stable:** Formal organisation is more stable as compared to informal organisation. Changes cannot be introduced because of the needs of individuals and their wishes. Therefore, it is more stable. It comes to an end only on the dissolution or closure of the company.
5. **Formal Communication:** In formal organization, the flow of communication is specified. Formal organisational structure creates a scalar chain of communication in the organisation. Relationship among different people is well-defined. There is formal communication – upwards, downwards and sideways.
6. **Based on Division of Work:** The chief basis of formal organisational structure is the division of work. In formal organisational structure, each individual is assigned a specific job. Work is systematically divided among various departments and employees. So, there is no chance of duplication or overlapping of work.
7. **Coordination:** There is a system of coordination. Formal organisational structure results in coordinating the activities of various departments. The activities of individuals and departments are interlinked in order to achieve common goals.
8. **Define Relationships:** In formal organisation, there are clear superior-subordinate relationships. Everyone in the organisation knows to whom he should report, and also who should report to him.

Following are the main **advantages** of formal organisation:

- 1. Achievement of Organisational Objectives:** Formal organisational structure is established to achieve organisational objectives. In formal organisation, objectives are specific and well-defined. The activities are directed towards the attainment of common goals.
- 2. No Overlapping of Work:** In formal organisational structure, work is systematically divided among various departments and employees. So, there is no chance of duplication or overlapping of work.
- 3. More Emphasis on Work:** Formal organisational structure lays more emphasis on work than interpersonal relations. In formal organisations personal feelings are ignored. Strict discipline is followed. Formal organisation gives importance to work and not the person.
- 4. Systematic Working:** Formal organisational structure results in systematic and smooth functioning of an organisation.

Following are the main **disadvantages** of formal organisation:

- 1. Delay in Action:** While following scalar chain and chain of command, actions get delayed in formal structure.
- 2. Ignores Social Needs of Employees:** Formal organisational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.
- 3. Emphasis on Work Only:** Formal organisational structure gives importance to work only; it ignores human relations, creativity, talents, etc.

## **Informal Organisation**

### *Meaning*

In formal structures, people are assigned to jobs and duties. During that, they interact with other people, co-workers and colleagues and they create informal structures within an organisation.



These informal organisations are created for satisfying the psychological and social affiliation needs of the employees. For any organization, informal structures are absolutely inevitable. Even when the management wants to suppress them, it cannot fully eliminate the informal organisations. There are various features and characteristics of an informal organisation, but the most important of all is that it is created automatically by the employees.

Following are the main **features** of informal organisation:

1. **Based on Formal Organisation:** Informal organisation is based on formal organisation where people also have informal relations. First of all, the formal organisation is established and then informal organisation is created out of it.
2. **No Written Rules and Procedures:** In informal organisation, there are no written rules and procedures to govern interrelationship. But there are group norms which have to be observed. For example, employees working in an organisation and belonging to a particular community form a separate group in an informal way. They help the members of their group to find solution to the problems related to his work or his own self.
3. **Not Created Deliberately:** Informal organisation is not deliberately created. It emerges out of mutual relationship and tastes.
4. **Lack of Stability:** There is generally a lack of stability in such an organisation. For example, an individual mixes with one group of people today but can cross over to another group tomorrow. Not only this, an individual can be a member of more than one group at a time.
5. **Grapevine Communication:** In informal organisation, the flow of communication cannot be specified. Relationship among different people is not defined. A person at the lower level can have direct contact with the person at the highest level.
6. **Provide Social Status and Satisfaction:** Informal organisation provides social status and satisfaction that may

not be obtained from the formal organisation. In a large organisation, a worker may feel like an anonymous number rather than an unique individual. Member of informal groups share jokes and gripes, eat together, work together which contributes to personal esteem, satisfaction, and a feeling of worth.

7. **Correct Feedback:** Through informal organisational structure, the top level managers can know the real feedback of employees on various policies and plans. The knowledge of informal group can be used to gather support of employees and improve their performance.
8. **More Emphasis to Individual Interest:** Informal organisation gives more importance to satisfaction of individual interest as compared to organisational interest.

Following are the main **advantages** of informal organisation:

1. **Coordinate with Formal Organisation:** Informal organisation is based on formal organisation where people also have informal relations. Formal plans, policies, procedures, and standards cannot solve every problem in a dynamic organisation. Therefore, informal systems must combine with formal ones to get work done.
2. **Fill Gaps in Management Abilities:** For instance, if a manager is weak in financial planning and analysis, a subordinate may informally assist in preparing reports through either suggestions or direct involvement. Employees experience frustration, tension, and emotional problems with management and other employees. The informal group provides a means for relieving these emotional and psychological pressures by allowing a person to discuss them among friends openly and candidly.
3. **Encourage Improved Management Practice:** Informal groups encourage managers to prepare, plan, organise, and control in a more professional manner. Managers who understand the power of the informal organisation recognise that it is a “check and balance” on their use of authority.

Changes and projects are introduced with more careful thought and consideration, knowing that the informal organisation can easily reject a poorly planned project.

4. **Compensate the Shortcomings of Formal Organisations:** Formal structures can be very rigid, tiresome and unaccommodating for employees. Too much of formal organisations can demotivate employees, create job stress and result in job dissatisfaction. Informal structures can make up for that and compensate the shortcomings of formal organisations. When people get demotivated and dissatisfied with formal structures, the informal organisations comfort them. It is a great advantage that informal structures create a necessary balance in an organisation.

Following are the main **disadvantages** of informal organisation:

1. **Contrary to Organizational Goals:** Informal structures never contribute directly to organisational goals and objectives. It is the formal structure that is created to support the goals of organisations. On the other hand, the informal structures are created by the employees and for the employees. Furthermore, unnecessary interaction among workers may also result in delayed operations. This, again, is against organisational goals and objectives.
2. **Rumours:** Another drawback of the informal organisations is that they spread a lot of rumours, instead of factual statements and meaningful communication. Such rumours not only stop the development and growth of the organisation, but may also create disturbance and conflict among employees. These rumours not only mislead employees to wrong decisions and responses, but the consumers are also greatly affected in a negative way.
3. **Leads to Conflicts:** Another great disadvantage of informal organisations is that they lead to conflicts among employees. Every conflict is necessarily bad and dysfunctional for the organisation. However, informal structures usually lead to

‘Relationship Conflict’, which is considered outright, bad, negative and harmful.

4. **Wastage of Important Time:** Informal organisations waste a lot of important time that could be put to better use. For instance, when individuals involve in personal interaction with each other, they should be doing their job instead. Similarly, as informal structures lead to relationship conflict, it also requires managers to intervene and resolve the conflict. According to a study, approximately 15% of the managers’ time is wasted in resolving relationship conflict among employees.
5. **More Emphasis to Individual Interest:** Informal organisation gives more importance to satisfaction of individual interest as compared to organisational interest.
6. **Role Conflict:** The search for informal group satisfaction may lead members away from formal organisational objectives. What is good for and desired by informal group members is not always good for the organisation. Employees desire to fulfill the requirements and services of both the informal group and management results in role conflict. Role conflict can be reduced by carefully attempting to integrate interests, goals, methods, and evaluation systems of both the informal and formal organisations.

## FORMAL VS. INFORMAL ORGANISATION

FORMAL ORGANISATION	INFORMAL ORGANISATION
1. <b>Meaning:</b> It refers to a structure of well- defined authority and responsibility.	It is a network of personal and social relations existing in a formal organisation.
2. <b>Who Formed:</b> A formal organisation is formed by the top level management.	An informal organisation is formed by social forces within the formal organisation.
3. <b>Purpose:</b> The main purpose of formal organisation, is to achieve well- defined objectives.	The main purpose of informal organisation is to develop personal and social relations.

<p><b>4. Rules and Regulations:</b> The members of a formal organisation have to follow certain rules and regulations.</p>	<p>The members of an informal organisation do not have to follow any rules and regulations.</p>
<p><b>5. Duties and Responsibilities:</b> In a formal organisation, the duties and responsibilities are well-defined.</p>	<p>In informal organisation, the duties and responsibilities are not well-defined.</p>
<p><b>6. Stability:</b> A formal organisation is stable. It comes to an end only on the closure of the organisation.</p>	<p>It lacks stability. It can come to an end at any time.</p>
<p><b>7. Channels of Communication:</b> A formal organisation uses formal channels of communication.</p>	<p>An informal uses informal (grapevine) channels of communication.</p>
<p><b>8. Superior-subordinate Relationship:</b> In a formal organisation, there exists a superior-subordinate relationship.</p>	<p>In an informal organisation, there is no such superior-subordinate relationship.</p>
<p><b>9. Benefits to Members:</b> The members get financial benefits like salaries, bonus, etc.</p>	<p>The members get social and personal benefits like friends circle, groups, community, etc.</p>
<p><b>10. Organisation Chart:</b> A formal organisation is shown on the organisation chart.</p>	<p>An informal organisation is not shown on the organisation chart.</p>

## CENTRALISATION AND DECENTRALISATION

### Centralisation

#### *Meaning*

Centralisation is the process by which the activities of an organisation become concentrated within the head of the organisation. In centralisation, important decisions are taken by the top level management. Centralisation refers to **concentration of management and decision making** power at the top of an **organisation's hierarchy**. In centralisation, authority for decision

making in business lies mostly in the hands of a small group of top managers.

Centralisation means extent to which authority is concentrated at the top management levels. The act or process of centralising, or the state of being centralised; the act or process of combining or reducing several parts into a whole; as, the centralisation of power in the general government; the centralisation of commerce in a city. Situation in which decision making power is at the top of an organisation and there is little delegation of authority. It is the opposite of Decentralisation. Centralisation and decentralisation are really a matter of degree. Full centralisation means minimum autonomy and maximum restrictions on operations of sub-units of the organisation. As an organisation grows in size and complexity, decentralisation is generally considered to be effective and efficient.

Following are the main **advantages** of centralisation:

1. **Reduced Cost:** The standardised procedure and method helps in considerably reduction of office cost. Office cost is reduced as it does not emphasise on more specialists, and more departmental machines and equipment.
2. **Uniformity in Action:** Uniformity in action is established throughout the organisation because of central administrative control. The same executive supervises the work and same type of office equipments are used which ensure uniform performance of activities.
3. **Personal Leadership:** Centralisation encourages and permits personal leadership. The introduction of personal leadership facilitates quick action, aggressive marketing and attainment of objective.
4. **Flexibility:** Centralisation permits flexibility and adaptability of the organisation to the changed circumstances. Occasional pressure of extra clerical work is handled with the existing staff.
5. **Improved Quality of Work:** Improved quality of work is possible because of standardised procedure, better supervision and use of improved- machinery.

- 6. Better Coordination:** Centralisation facilitates better coordination among various operations. Direct control and supervision are facilitated which results in less likelihood of conflict of authority and duplication of work.

Following are the main **disadvantages** of centralisation:

- 1. Unsuitable for Large Organisations:** Centralisation is impractical in large business organisations having various branches in different locations. It is difficult to communicate managerial decisions to different operating levels in management hierarchy. Top level managers cannot effectively supervise and control all the activities of the organisation.
- 2. Manager is Overburdened:** In centralisation, top managers are overburdened with authority and responsibility while managing each and every activity of the organisation. Manager cannot devote sufficient time in other major issues. It tends to decrease working efficiency of the organisation.
- 3. Misuse of Power:** Centralisation of authority at the top level may result in underutilisation of power. Top level managers may exercise their powers on the basis of their personal judgment. This may lead to misuse of authority if the managers lack proper skills and ability.
- 4. Low Morale Motivation:** In centralisation, middle and lower level managers feel uncomfortable while performing the assigned task. They do not have the required authority to deal with problems effectively. They do not get any opportunity to show and develop their personality. The lack of motivation tends to affect the morale of subordinates.
- 5. Inappropriate for Routine Decisions:** In centralisation, top level managers devote maximum time in taking routine decisions. Therefore, they cannot devote more time in non-programmed decisions. This will have a negative impact on the long-term performance of the organisation.
- 6. Lack of Environmental Adaptation:** Business environment is dynamic. It changes according to time. In business, it is

essential to take quick decisions to resolve problems of concerned departments. Centralisation is not applicable in dynamic environment as flexibility will not come promptly from the top level.

## **Decentralisation**

### *Meaning*

Decentralisation means diffusion of authority. The dispersal of authority of decision making to the lower level management is termed as decentralisation. Decentralisation of authority is a fundamental phase of delegation and the extent to which authority is not delegated is called centralisation. According to Fayol, "Everything that goes to increase the importance of the subordinate's role is called decentralisation."

The need for decentralisation is felt when the business grows in its size which necessitates diversification of office activities. Decentralisation occurs at the time of decisions of routine nature but if decisions are vital, the authority is not decentralised. The technological development, political factors, availability of managers also affects the degree of decentralisation. Decentralisation does not exist in its pure sense. There is a mixture of the two because some activities are centralised and some are decentralised.

Following are the main **advantages** of decentralisation:

- 1. Distribution of Burden of Top Executives:** Decentralisation enables its executive to share his burden with others at lower levels because here authority is delegated. The top executive is relieved of some burden and concentrates his activities to think for the future of the organisation.
- 2. Increased Motivation and Morale:** The morality of the employees is increased because of delegation of authority. Decentralisation helps to increase employee's morale because it involves delegation. The employees are motivated to work.



3. **Greater Efficiency and Output:** Decentralisation gives emphasis on care, caution and enthusiastic approach to the work which in turn results in increased efficiency and output. This is possible because it involves delegation of authority and responsibility.
4. **Diversification of Activities:** Decentralisation helps in diversification of activities. It creates more employment opportunities because new managers are to be entrusted with new assignments.
5. **Better Coordination:** The various operations and activities are coordinated in a decentralised setup.
6. **Maintenance of Secrecy:** Decentralisation enables to maintain secrecy without much cost and unnecessary trouble.
7. **Facilitates Effective Control and Quick Decision:** Decentralisation enables to measure the work according to standard easily and quickly. This facilitates taking up quick decision.

Following are the main **disadvantages** of decentralisation:

1. **More Cost:** Decentralisation is costly because it encourages duplication of functions and equipments. As it is costly, it cannot be adopted by small organisations.
2. **No Specialisation:** Specialisation suffers in decentralisation because everyone becomes jack-of-all-trades but master of none. So, specialisation is affected.
3. **Need More Specialists:** In decentralisation, more specialists are needed. The services of specialists are not utilised effectively and efficiently, as they are large in numbers.
4. **No Uniform Action:** It becomes difficult to maintain uniformity in action because routine and methods differ from organisation to organisation and department to department.
5. **No Equitable Distribution of Work:** It becomes difficult to distribute workload equitably among different employees.

## FACTORS AFFECTING CENTRALISATION AND DECENTRALISATION

- 1. Size:** Size of the organisation, terms of sales number, plans, number of employees affects the decentralisation of authority. It is observed that the speed and adequacy of decision making, flexibility and efficiency are enhanced through decentralisation of authority in case of very large multi-product, diverse and complex organisation. Therefore, in larger size of organisation, there will be more dispersion of authority.
- 2. History and Age:** The size of organisation and the degree of decentralisation depends upon history and ages of organisation. If it is organised by an individual, then in such kind of organisation, there will be centralisation of authority. But in case of business activities when there is merging being done, there is decentralisation of authority. In any organisation, relatively high degree of centralised authority may be needed when new values and viewpoints are established by the executives.
- 3. Philosophy of Top Management:** Decentralisation of authority depends upon philosophy of top management. It is seen that in the owner-managed enterprise, there is delegation of authority but in professionally managed enterprise, decentralisation of authority is seen.
- 4. Competent Personnel:** Competent personnel affect decentralisation of authority. More personnel at lower level more policy of decentralisation of authority.
- 5. Strategy and Organisation Environment:** Strategy and organisation environment influences market, technological environment and competition. It is the basis of determining decentralisation of authority and centralisation of authority.
- 6. Nature and Management Function:** The degree of decentralisation of authority is influenced by nature and management functions. Generally, functions like production

and sales are more decentralised and finance, personnel, research and development are highly centralised.

7. **Control Techniques:** Decentralisation of authority is more when control technique is good. When control system is reliable, there is better and higher decentralisation of authority to the lower level.
8. **Dispersion of Organisational Plans:** Decentralisation of authority also depends upon dispersion of organisational plans of the organisation. Organisation has officer of different types located at different places. That's why decentralisation of authority becomes necessary.

## DEPARTMENTATION

### Meaning

The process of grouping of activities into units for the purpose of administration is called departmentation. It can be defined as “the process by which activities or functions of enterprise are grouped homogeneously into different groups.”

Departmentation is a means of dividing the large functional organisation into smaller and flexible administrative units. It makes grouping of activities into units and sub-units created through departmentation which are known as department, division, section, branch etc. The process of departmentation takes place at all levels in the organisation. At the top level, the break-up of functions into activities is called “Primary Departmentation”. Grouping activities into separate units at the middle level is called “Intermediate Departmentation” and at the lower level it is called “Ultimate Departmentation” or “Secondary Departmentation”.

### Definitions

1. According to **Louis Allen**, “Departmentation is a means of dividing the large and monolithic functional organisation into smaller flexible administrative units.”

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

In short, we need departmentation in an enterprise to divide the activities along with authority, responsibility and accountability with sole objective to get the work done smoothly and in the best possible way.

### **Types of Departmentation**

An organisation can structure itself into departments in the following ways:

1. **Functional Departmentalisation:** An organisation can be organised into departments based upon the respective functions each performs for the organisation. For example, a manufacturing company may create a production department, sales and marketing department, an accounting department, and a human resources department. Functional departmentalisation may be advantageous as it can increase efficiency and expertise because all related activities are performed in one place by one group of people that specialise in that activity.

The **advantages** of this type of structure are as follows:

- It is a logical reflection of functions.
- It follows the principle of specialisation.
- Maintains power and prestige of major functions.
- Inter-departmental coordination is facilitated.
- The structure is simple, logical and easy to understand.
- Provides a good means of control at the top.

There are also some **disadvantages**:

- Responsibility for profits tends to be at the top.
- There may be chances of heavy centralisation in decision making.
- Where geographical centralisation is desirable or required, this form becomes unsuitable.

- This is not very suitable where product lines have to be emphasised.
  - There is a lower potential for manager development.
2. **Geographic Departmentation:** Organising departments along geographic lines is often a good idea for large multinational firms with offices around the world. All activities related to the organisation's activities in each region are handled by a department in that region. One advantage of this method is that it ensures the development of expertise specific to the political, social, and cultural needs of the region. Moreover, sending managers to work in each region provides excellent training for upper level management positions where a broad perspective is required for success.

The **advantages** of such departmentation are:

- Regional expertise is generated and managers can tackle customers or competition better. Places responsibility at lower levels.
- Proximity will reduce costs of operation and administration.
- Places emphasis on local markets and problems. Local conditions might warrant different types of selling. This is possible only in territorial departmentation.
- Improves coordination at the regional level.
- Better face-to-face communication with local interests in mind.
- Better managerial development.

Some **disadvantages** are listed as follows:

- Involves higher costs of coordination and control from headquarters.
- Results in more managerial levels which increases overhead costs.
- Unsuitable for departments like Finance, where no gains are possible by specialisation on local factors.
- Increases problems of the top management control.

- 3. Product Departmentation:** An organisation can also divide itself by its product lines. It creates a department for each product and that department controls all activities related to the product including development, production, marketing, sales, and distribution. This structure provides the organisation the advantage of developing personnel with a high level of expertise and specialisation for each of its products.

The **advantages** of this type of structure are:

- Places greater effort on individual product line.
- Better customer service arising from greater product knowledge.
- Simplifies departmentation of profitability of each product line. Responsibility for profits is at the division level.
- Improves coordination of functional activities.
- New department may be added without difficulty. Permits growth and diversity of products and services.
- Detailed information on markets for specific products will be generated.
- Extremely suitable where product lines are complex or vary greatly.
- Furnishes measurable training ground for managers.

Some of the **disadvantages** inherent in such departmentation are:

- A customer has to deal with different salesmen or managers for different products of the same company.
- Extra costs of maintaining separate sales force for each product.
- Duplication of costs on travel, etc.
- Tends to make maintenance of economical central services difficult.
- Results in increased problems of the top management control.

**4. Customer/Market Departmentation:** Each type of customer usually has different needs and organisations which often departmentalise along differing customer types such as consumers, businesses, and governments. For example, think about an aerospace engineering firm and the different needs of their consumers, business and government clients. This structure may be advantageous because it allows its personnel to specialise in developing products and serving the needs of particular markets and classes of customers.

Some **advantages** of this type of structure are:

- Greater specialised customer service.
- Where marketing channels are considerably different for various types of customers, this type of structure is very useful.

Some **disadvantages** of this type are:

- May not be enough work for certain types of customers. Hence, under employment of facilities and manpower specialised in terms of customer groups.
- Problems of coordination might pose difficulties.
- Unequal development of customer groups.

**5. Process or Equipment Departmentation:** Here, activities are grouped on the basis of production process or equipment involved. For example, the Plant Superintendent would work in conjunction with the managers of the Materials Department, Assembling Department, Finishing Department and the Inspection Department.

The **advantages** of this type of structure are:

- There is clear-cut technical division of work.
- It is possible to appoint persons with special education and experience for each process.
- Simplifies departmentation of profitability of each product line.
- Location of similar type of machines in one place result in economies in costs of repairs and maintenance.

Some of the disadvantages inherent in such departmentation are:

- Conflicts among managers of different processes may arise.
  - There may be difficulty in co-ordinating different process departments.
  - It cannot be used where manufacturing does not involve distinct process.
  - It is suitable only for special and composite type of plants.
6. **Departmentation by Time:** Another way to departmentalise is to group activities according to the period of time during which work is performed. Many organisations are engaged in round-the-clock operations and departmentalise on the basis of time by having work shifts (day, afternoon, night shift etc.).

## IMPORTANCE OF DEPARTMENTATION

1. **Specialisation:** Departmentation enables an organisation to avail the benefits of specialisation. When every department looks after one major function, expertise is developed and efficiency of operation increases.
2. **Expansion:** One manager can supervise and direct only a few subordinates. Grouping of activities and personnel into departments makes it possible for the enterprise to expand and grow. If there is no departmentation, the size of the organisation will be restricted to the manager's span of control.
3. **Autonomy:** Departmentation results in the division of enterprise into semi-autonomous units. In these units, every manager is given adequate freedom. The feeling of autonomy provides job satisfaction and motivation which in turn leads to higher efficiency of operations.
4. **Fixation of Responsibilities:** Departmentation enables each person to know the specific part he is to play in the total



organisation. It provides a basis for building up loyalty and commitment. The responsibility for results can be defined more precisely and an individual can be held accountable for performance.

5. **Appraisal:** Appraisal of managerial performance becomes easier when specific tasks are assigned to specific personnel. The sources of information, the skills and competence required for total managerial decisions can be located.
6. **Managerial Development:** Departmentation facilitates communication, coordination and control. It simplifies the training and development of executives in providing them opportunities to take independent decisions and exercise initiative.
7. **Better Customer Service:** Departmentation results in a better customer service. The customers get quick and efficient service. Many organizations do Geographic Departmentation and Customer Departmentation.

## DELEGATION

Delegation is the assignment of responsibility or authority to another person (normally from a manager to a subordinate) to carry out specific activities. It is one of the core concepts of management leadership. However, the person who delegated the work remains accountable for the outcome of the delegated work. Delegation empowers a subordinate to make decisions, i.e., it is a shift of decision making authority from one organisational level to a lower one.

Delegation, if properly done, is not abdication. The opposite of effective delegation is micromanagement, where a manager provides too much input, direction, and review of delegated work. In general, delegation is good and can save money and time, help in building skills, and motivate people. Poor delegation, on the other hand, might cause frustration and confusion to all the involved parties. Some agents, however, do not favour a delegation and consider the power of making a decision rather burdensome.

## IMPORTANCE OF DELEGATION

The advantages of delegation are as follows:

- 1. Superior Related Advantages:** The essence of delegation process is empowering someone to act for the manager. The manager shares his burden of work with his subordinates through delegation. Thus, the manager is allowed to concentrate on other works.
- 2. Subordinate Related Advantages:** Delegation allows freedom and expands the wisdom of subordinates. It enhances the position and status of the subordinates as they are given powers to exercise.
- 3. Advantages to Organisation:** Organisation grows and expands out of delegation. Delegation speeds up decision making as power is shared at all levels.
- 4. Improves Behavioural Climate:** The behaviour pattern of every individual is improved by delegation. Granting of freedom to act by the superior shows the confidence of the superior over the subordinates.
- 5. Provides Continuity:** When a manager is on leave, the work is taken by subordinates and provides continuity in functions.
- 6. Provides Motivation:** It motivates the subordinates to do better and perform well.

### Barriers in Delegation of Authority

- 1. Reluctance to Delegate:** In many cases, managers will not be interested the delegate to authority. They will not be willing to give authority to subordinates. They will not make any plan to delegate authority. So, delegation of authority may be failure.
- 2. Fear of subordinates:** Managers in many cases fear from subordinates because they think that when there is delegated authority, their performance will be superior to the performance of manager and subordinates may pose challenge to the manager.

3. **Lack of Trust:** Managers may lack confidence or trust in subordinates. They do not think or believe that, after delegating authority, subordinates will do better or their performance will improve. Hence, delegation of authority cannot take place.
4. **Incompetence of Subordinates:** Subordinates must be competent enough for effective delegation of authority. Subordinates must be willing and competent to accept delegated authority. In many organisations, due to the incompetency of subordinates, delegation of authority is affected.
5. **Lack of Reward:** Delegation of authority also increases responsibility, commitment, duties, etc. For increased responsibility, reward must be increased. But, many managers delegate authority to subordinates, increase duties and responsibilities but they do not increase reward. Subordinates do not show any interest to accept authority because of lack of sufficient reward.
6. **Lack of Control:** When employees are delegated authority, they will be free to work. They will work autonomously; managers cannot exercise effective control over them. Delegation is affected.
7. **Distorted delegation:** Managers do not delegate sufficient authority on the basis of responsibility. Insufficient authority becomes a barrier in discharging responsibility effectively. Hence, delegation is affected. There will be more responsibility and insufficient authority.

### Review Questions

1. Define Organising. Explain its features.
2. What is Organising? Explain its importance.
3. Explain the essential principles of organising.
4. Explain the main steps in the organising process.
5. What is formal organisation? Explain its features.
6. Describe the advantages and disadvantages of formal organisation.

7. Bring out the features of informal organisation.
8. List out the advantages and disadvantages of informal organisation.
9. Distinguish between Formal Organisation and Informal Organisation.
10. What is Centralisation? Explain its merits and demerits.
11. Explain the factors affecting centralisation and decentralisation of authority.
12. Explain merits and demerits of decentralisation.
13. What is departmentation? Explain bases of departmentation.
14. Explain the importance of departmentation.
15. What is delegation of authority? Explain its importance.
16. List out the barriers to delegation.

### Objective Questions

**1. Select proper option from the choices given below and rewrite the sentence.**

1. Division of work is involved in at \_\_\_\_\_ function.  
(a) Planning (a) Organising (c) Directing
2. Informal organisation makes use of \_\_\_\_\_ communication.  
(a) upward (b) downward (c) grapevine
3. \_\_\_\_\_ is the process of defining and grouping the activities of the enterprise and establishing the authority relationship among them.  
(a) Planning (b) Organising (c) Directing
4. \_\_\_\_\_ organisation refers to a structure of well-defined authority and responsibility.  
(a) formal (b) informal (c) small
5. In \_\_\_\_\_, there are no written rules and procedures to govern interrelationship.  
(a) formal (b) informal (c) central
6. \_\_\_\_\_ is the process by which the activities of an organisation become concentrated within the head of the organisation.  
(a) Centralization (b) Decentralization (c) Committee
7. In centralisation, important decisions are taken by the \_\_\_\_\_.

- (a) middle management (b) lower (c) top management
8. \_\_\_\_\_ means diffusion of authority.  
(a) Centralisation (b) Decentralisation (c) Committee
9. \_\_\_\_\_ is the process by which activities or functions of enterprise are grouped homogeneously into different groups.  
(a) Centralisation (b) Decentralisation (c) Departmentation
10. In departmentation by \_\_\_\_\_, activities are grouped on the basis of production process or equipment involved.  
(a) function (b) product (c) process
11. \_\_\_\_\_ is the assignment of responsibility or authority to another person to carry out specific activities.  
(a) Departmentation (b) Dedication  
(c) Delegation

**Ans: 1. Organising, 2. Grapevine, 3. Organising 4. Formal  
5. Informal 6. Centralization 7. top management  
8. Decentralization 9. Departmentation 10. Process  
11. Delegation**

**2. State whether the following statements are true or false.**

1. The process of organising involves among other things identifying and grouping of the work to be performed.
2. Formal organisation comes into existence when two or more people consciously coordinated towards a common goal.
3. Informal organisation is a network of personal and social relations existing in a formal organisation.
4. Formal organisation makes use of grapevine.
5. Informal organisation exists only in large-scale organisations.
6. In formal organisation, every member is assigned specific duties and responsibilities.
7. Departmentation by time is followed in a single shift organisation.
8. In delegation of authority, subordinates give authority to superior.
9. Departmentation is necessary in small organisations.

**Ans: 1. True 2. True 3. True 4. False 5. False 6. True 7. False  
8. False 9. False**

**3. Match the columns.**

<b>Group A</b>	<b>Group B</b>
1. Formal organisation	(a) Grouping activities
2. Informal organisation	(b) Dispersal of authority
3. Delegation of authority	(c) Transfer of authority
4. Decentralisation	(d) Personal and social relations
5. Organising	(e) Well-defined authority

*Ans: 1. (e), 2. (d), 3. (c), 4. (b), 5. (a)*



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# 4 Staffing

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- ❖ **Meaning and Importance of Staffing**
- ❖ **Recruitment and its Sources**
- ❖ **Selection Procedure**
- ❖ **Distinction between Recruitment and Selection**
- ❖ **Employment Tests and Types of Interview**

## **STAFFING — MEANING AND DEFINITIONS**

### **Introduction**

Staffing function is the most important managerial function along with planning, organising, directing and controlling. The functioning of these four functions depends upon the manpower which is available through staffing function.

Every business unit needs large number of skilled and unskilled workers. Manpower is an asset of an organisation. Stability and prosperity of the organisation depends on the quality of manpower employed.

Staffing means filling and keeping filled positions in the organisational structure. Staffing is that part of the process of management which is concerned with acquiring, developing, employing, appraising, remunerating and retaining people, so that right type of people are available at right positions and at right time in the organisation. In simple terms staffing is putting right people to right jobs.

### Definitions of Staffing

- **Harold Koontz** defines “The managerial function of staffing involves manning the organisational structure through effective and proper selection, appraisal, and development of personnel to fill the roles designed into the structure.”
- **Theo Haiman** wrote “The staffing function pertains to the recruitment, selection, development, training and compensation of subordinate managers.”
- **McFarland** stated “Staffing is the function by which managers build an organisation through the recruitment, selection and development of individuals as capable employees.”
- **S. Benjamin** defines “Staffing is the process involved in identifying, assessing, placing, evaluating and directing individuals at work.”

The term staffing in management consists of:

- Selecting the right person for the right post.
- Training and development.
- Giving proper remuneration and motivation.
- Performance appraisal of employees.
- Proper promotions, transfers, etc.

### IMPORTANCE OF STAFFING

Effective staff management is essential to ensuring your workplace runs smoothly and efficiently, and that the right employees are in the right positions. Employees who are well-managed and receive continuing training and evaluation are better prepared to do their jobs and to serve your customers. This can lead to better profits, more satisfied clients and an increase in repeat business. On the other hand, poor staffing can result in a chaotic, unorganised work environment, which has the potential to make your company lose valuable business.



1. **Provides Job Satisfaction:** Staffing helps in providing job satisfaction to the employees keeping their morale high. With proper training and development programmes, their efficiency improves and they feel assured of their better career.
2. **Build Relationship:** Staff function helps to build proper human relationship in the organisation. Smooth human relation is the key to better communication and coordination of managerial efforts in an organisation.
3. **Improves Efficiency:** Staffing includes training and development programmes for the employees of an organisation. It improves organisational productivity. Through proper selection, the organisation gets quality employees and through proper training, the performance levels of the employees can be improved.
4. **Human Resource Development:** Skilled and experienced staff is the best asset of a business concern. Staffing helps to inculcate the corporate culture into the staff which in turn ensures smooth functioning of all the managerial aspects of the business.
5. **Reduces Absenteeism and Employees' Turnover:** Staffing helps to reduce absenteeism and labour turnover of the employees. Employees work with application and dedication, and they become loyal to the organisation.
6. **Teamwork:** Staffing facilitates teamwork in the organisation. Disputes in the organisation are reduced to the minimum due to proper staffing policies.
7. **Optimum Utilisation of Human Resources:** Staffing function tries to utilise human resources more efficiently and effectively. Training and development programme helps the organisation to improve their performance as well as brings progress for their organisation.
8. **Achieve Objectives:** Staffing helps to achieve organisational objectives. Proper staffing motivates the employees to put

their best efforts in organisational activities. It helps to achieve organisational goals.

## RECRUITMENT

### Introduction

People are integral part of any organisation today. No organisation can run without its human resources. In today's highly complex and competitive situation, choice of right person at the right place has far-reaching implications for an organisation's functioning. Employee well selected and well placed would not only contribute to the efficient running of the organisation but offer significant potential for future replacement. Recruitment comes at this point of time in the picture. Recruitment is a strategic function for HR department.

**Recruitment** means to estimate the available vacancies and to make suitable arrangements for their selection and appointment. Recruitment is understood as the process of searching for and obtaining applicants for the jobs, from among whom the right people can be selected.

**Recruitment** refers to the overall process of attracting, selecting and appointing suitable candidates to one or more jobs within an organisation, either permanent or temporary. The term may sometimes be defined as incorporating activities which take place ahead of attracting people, such as defining the job requirements and person specification, as well as after the individual has joined the organisation, such as induction and on boarding. Recruitment can also refer to processes involved in choosing individuals for unpaid positions, such as voluntary roles or training programmes.

### Definitions of Recruitment

- **Yoder** defines "Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for

attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.”

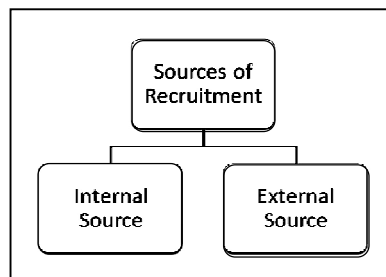
- **Edwin Flippo** wrote “Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.”

## SOURCES OF RECRUITMENT

Every organisation has the option of choosing the candidates for its recruitment processes from two kinds of sources: internal and external sources. The sources within the organisation itself (like transfer of employees from one department to other, promotions) to fill a position are known as the internal sources of recruitment. Recruitment candidates from all the other sources (like outsourcing agencies etc.) are known as the external sources of recruitment.

The different sources of recruitment are classified into two categories, viz.,

1. **Internal** sources of recruitment are from within the organisation.
2. **External** sources of recruitment are from outside the organisation.



### Internal Sources of Recruitment

The internal sources of recruitment are:

1. **Promotions:** Promotion means to give a higher position, status, salary and responsibility to the employee. So, the

vacancy can be filled by promoting a suitable candidate from the same organisation.

2. **Transfers:** Transfer means a change in the place of employment without any change in the position, status, salary and responsibility of the employee. So, the vacancy can be filled by transferring a suitable candidate from the same organisation.
3. **Internal Advertisements:** Here, the vacancy is advertised within the organisation. The existing employees are asked to apply for the vacancy. So, recruitment is done from within the organisation.
4. **Retired Managers:** Sometimes, retired managers may be recalled for a short period. This is done when the organisation cannot find a suitable candidate.
5. **Recall from Long Leave:** The organisation may recall a manager who has gone on a long leave. This is done when the organisation faces a problem which can only be solved by that particular manager. After he solves the problem, his leave is extended.

### Merits of Internal Sources

The benefits of using internal sources of recruitment:

1. It is time saving, economical, simple and reliable.
2. There is no need of induction training because the candidate already knows everything about the organisation, the work, the employee, the rules and regulations, etc.
3. It motivates the employees to work hard in order to get higher jobs in the same organisation.
4. It reduces executive turnover.
5. It develops loyalty and a sense of responsibility.

### **Demerits of Internal Sources**

The limitations/demerits of using internal sources of recruitment:

1. It prevents new blood from entering the organisation. New blood brings innovative ideas, fresh thinking and dynamism into the organisation.
2. It has limited scope because it is not possible to fill up all types of vacancies from within the organisation.
3. The position of the person who is promoted or transferred will be vacant.
4. There may be bias or partiality in promoting or transferring persons from within the organisation.
5. Those who are not promoted will be unhappy.
6. The right person may be promoted or transferred only if proper confidential reports of all employees are maintained. This involves a lot of time, money and energy.

### **External Sources of Recruitment**

The external sources of recruitment are:

1. **Management Consultants:** Management consultants are used for selecting higher level staff. They act as a representative of the employer. They make all the necessary arrangements for recruitment and selection. In return for their services, they take a service charge or commission.
2. **Public Advertisements:** The Personnel department of a company advertises the vacancy in newspapers, the internet, etc. This advertisement gives information about the company, the job and the required qualities of the candidate. It invites applications from suitable candidates. This source is the most popular source of recruitment. This is because it gives a very wide choice. However, it is very costly and time-consuming.
3. **Campus Recruitment:** The organisation conducts interviews in the campuses of Management institutes and Engineering Colleges. Final year students, who are soon to

get graduate, are interviewed. Suitable candidates are selected by the organisation based on their academic record, communication skills, intelligence, etc. This source is used for recruiting qualified, trained but inexperienced candidates.

4. **Recommendations:** The organisation may also recruit candidates based on the recommendations received from existing managers or from sister companies.
5. **Deputation Personnel:** The organisation may also recruit candidates who are sent on deputation by the Government or Financial institutions or by holding or subsidiary companies.

### **Advantages of External Sources**

The benefits/merits/advantages of using external sources of recruitment:

1. It encourages young blood with new ideas to enter the organisation.
2. It offers wide scope for selection. This is because a large number of suitable candidates will come for the selection process.
3. There are less chances of bias or partiality.
4. Here, there is no need to maintain confidential records.

### **Limitations of External Sources**

The demerits/limitations of using external sources of recruitment:

1. It is very costly.
2. It is very time-consuming.
3. It may not develop loyalty among the existing managers.
4. The existing managers may leave the organisation if outsiders are given higher post.

## PROCESS OF SELECTION

Selection is the process of choosing the most suitable person out of all applicants. The process of interviewing and evaluating candidates for a specific job and selecting an individual for employment based on certain criteria. Employee selection can range from a very simple process to a very complicated process depending on the firm hiring and the position. Certain employment laws such as anti-discrimination laws must be obeyed during employee selection.

Selection is a negative function. It eliminates unsuitable candidates. Right man for the right job is the basic principle in selection. Recruitment and selection are supplementary activities. The purpose of both is to have the most suitable and most capable candidates for the organisation.

### Definition

According to **Thomas**, "Selection is the process of differentiating between applicants in order to identify those with greater likelihood of success in the job."

Employee Selection is the process of putting right men on right job. It is a procedure of matching organisational requirements with the skills and qualifications of people. Effective selection can be done only when there is effective matching. By selecting best candidate for the required job, the organisation will get quality performance of employees.

But selection must be differentiated from recruitment, though these are two phases of employment process. Recruitment is considered to be a positive process as it motivates more of candidates to apply for the job. It creates a pool of applicants. It is just sourcing of data while selection is a negative process as the inappropriate candidates are rejected here. Recruitment precedes selection in staffing process. Selection involves choosing the best candidate with best abilities, skills and knowledge for the required job.

The **Employee Selection Process** takes place in the following order:

1. **Job Analysis:** Job analysis is the process of collecting information about a job. It gives information about the job contents, job duties, qualification for job etc. Job analysis helps to give proper advertisement of the vacancy and also helps to select suitable candidate for job.
2. **Advertisement for the Job:** Next step is to give advertisement for the job in newspaper. Advertisement must contain all details about job. It helps candidates to decide whether to apply for the job or not.
3. **Preliminary Interviews:** It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organisation. The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalised and planned than the final interviews. The candidates are given a brief up about the company and the job profile; and it is also examined how much the candidate knows about the company. Preliminary interviews are also called screening interviews.
4. **Application Blanks:** The candidates who clear the preliminary interview are required to fill application blank. It contains data record of the candidates such as details about age, qualifications, reason for leaving previous job, experience, etc.
5. **Written Tests:** Various written tests conducted during selection procedure are aptitude test, intelligence test, reasoning test, personality test, etc. These tests are used to objectively assess the potential candidate. They should not be biased.
6. **Employment Interviews:** It is a one-to-one interaction between the interviewer and the potential candidate. It is used to find whether the candidate is best suited for the required job or not. But such interviews consume time and money both. Moreover, the competencies of the candidate cannot be judged. Such interviews may be biased at times.



Such interviews should be conducted properly. No distractions should be there in the room. There should be an honest communication between candidate and interviewer.

7. **Medical Examination:** Medical tests are conducted to ensure physical fitness of the potential employee. It will decrease chances of employee absenteeism.
8. **Appointment Letter:** A reference check is made about the candidate selected and then finally he is appointed by giving a formal appointment letter.

### Distinguish between Recruitment and Selection

RECRUITMENT	SELECTION
1. <b>Meaning:</b> Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.	Selection is a process of choosing most suitable candidates out of those who are interested and also qualified for job.
2. <b>Steps:</b> Recruitment involves few steps.	Selection involves many steps.
3. <b>Purpose:</b> The purpose of recruitment is to attract maximum candidates to the organisation.	The purpose of selection is to select the most suitable candidate and to reject the other candidates.
4. <b>Cost Involved:</b> Recruitment is not costly. Expenditure is required mainly for advertising the post.	Selection is a costly activity as expenditure is needed for testing candidates and conduct of interviews.
5. <b>Staff/Line Function:</b> Recruitment is done by the personnel department. The personnel department consists of staff officers. So, recruitment is a staff function.	Selection is done by the particular department which has a vacancy. So selection is a line function.
6. <b>Time Required:</b> Recruitment is a short process. It requires less time because it only involves few steps.	Selection is a lengthy process. It requires a lot of time because it involves all the steps in the Selection procedure.

<p><b>7. Subjective/Objective:</b> Recruitment is objective in nature.</p>	<p>Selection is subjective in nature. So, there are more chances of favouritism and bias in a selection process.</p>
<p><b>8. Order:</b> Recruitment precedes with a selection. That is, recruitment comes before selection.</p>	<p>In an informal organisation, there is no such superior-subordinate relationship.</p>
<p><b>9. Major Factor:</b> In recruitment, advertising the job is a major factor.</p>	<p>The members get social and personal benefits like friend circle, groups, community, etc.</p>
<p><b>10. Help from Experts:</b> Recruitment is a simple process. It does not require help from experts.</p>	<p>Selection is a complex process. Experts are required to conduct the test, interviews, etc</p>

## EMPLOYMENT TESTS

- 1. Assessment Centers:** Assessments centers can be designed to measure many different types of job related skills and abilities, but are often used to assess interpersonal skills, communication skills, planning and organising, and analytical skills. The assessment center typically consists of exercises that reflect job content and types of problems faced on the job. For example, individuals might be evaluated on their ability to make a sales presentation or on their behavior in a simulated meeting. The assessment center typically uses multiple raters who are trained to observe, classify, and evaluate behaviours. At the end of the assessment center, the raters meet to make overall judgments about people's performance in the center.
- 2. Job Knowledge Test:** Job knowledge tests typically use multiple choice questions or essay type items to evaluate technical or professional expertise and knowledge required for specific jobs or professions. Examples of job knowledge tests include tests of basic accounting principles, A+/Net+ programming, and blueprint reading.

3. **Drug Testing:** Many employers screen potential employees for illegal drug use. These tests require the candidate to visit a testing facility and allow a technician to draw blood, collect a urine sample or both. The sample is tested for a battery of illicit drugs. Depending on how much a company wishes to spend, certain drug tests can detect illicit drug use as far back as six months to one year. Less expensive tests detect drug usage up to one month prior to testing. Companies hiring drivers or others who must operate heavy equipment should test employees for drug use to limit liability in the event of a job-related accident.
4. **Physical Fitness:** Many jobs require employees to have certain levels of physical fitness, such as jobs in law enforcement, sports training, animal training or jobs requiring heavy lifting. For these positions, prospective employers might test a candidate's flexibility, strength, cardiovascular fitness or all three.
5. **Cognitive Ability Tests:** Cognitive ability tests typically use questions or problems to measure ability to learn quickly, logic, reasoning, reading comprehension and other enduring mental abilities that are fundamental to success in many different jobs. Cognitive ability tests assess a person aptitude or potential to solve job-related problems by providing information about their mental abilities such as verbal or mathematical reasoning and perceptual abilities like speed in recognising letters of the alphabet.
6. **Psychological Tests:** Psychological tests are the best judge of the psychological behaviour in selecting an employee and are superior to the traditional interview procedure. It helps the management in selecting a candidate to a technical position. Psychological tests may be further classified in the following categories:
  - (a) **Intelligence Tests:** This test generally includes verbal comprehension, word fluency, memory, inductive reasoning, number facility, speed of perception and spatial visualisation. This test is used to measure

intelligence and mental ability quantitatively. In this type of test, simple questions are asked pertaining to reasoning, common sense, arithmetic, analogies, vocabulary, similarity, opposites etc. Such tests are used in the selection and classification of workers for all types of jobs.

- (b) ***Aptitude Tests:*** Such tests are used for measuring basic human characteristics or abilities relating to the capacity to develop proficiency on specific jobs. Aptitude tests measure the latent or potential ability to do something. This test is more valid when an applicant has had little or no experience along the lines of the job opening. It is generally applied in selecting a candidate for the clerical position. This type of test may also be used to train the workers when there is a technical change in machines and methods.
- (c) ***Interest Tests:*** A person who is interested in a job or task does much better than a person who is not interested in the job. Interest is a factor that contributes to success on the job. Interest tests are an inventory of likes and dislikes of people in relation to occupations, hobbies and recreational activities. Generally, two types of tests are applied in this case, strong vocational interest blank and Kudar Preference Record. These tests measure interest of outdoor, mechanical, computational, scientific, persuasive, artistic, literary, musical, social services etc. Such tests facilitate the employer to place a person at a suitable job satisfying him.
- (d) ***Personality Tests:*** Personality refers to those traits of the individual or those aspects of his behaviour that have emotional, motivational or moral connotations such as stability, extraversion, persistence and honesty. Personality comprises the totality of individual's behaviour and emotional tendencies. Personality tests propose to discover an individual's value system, emotional maturity, relation moods etc. which generally affect his working. The importance of personality to job success is unquestionable and employers seek that the prospective candidate has a personality which completely matches with the job requirements. Such

tests are conducted with the help of questionnaires. A typical questionnaire is prepared comprising a series of questions directly concerned with personality in its behavioural aspects.

- (e) **Achievement Tests:** Whereas aptitude tests are conducted to assess the ability of the candidate to learn in future; achievement test is concerned with what one has accomplished or learnt or achieved. These tests attempt to measure how well he knows it. For example, for a post of typist, a typing test may measure his speed, accuracy and efficiency.

## TYPES OF INTERVIEWS

1. **Panel Interview:** Panel means a selection committee or interview committee that is appointed for interviewing the candidates. The panel may include three or five members. They ask questions to the candidates about different aspects. They give marks to each candidate. The final decision will be taken by all members collectively by rating the candidates. Panel interview is always better than an interview by one interviewer because in a panel interview, collective judgment is used for selecting suitable candidates.
2. **Individual Interview:** This is the most common type and often called a “personal interview.” It is typically a one-on-one exchange at the organisation’s offices.
3. **Informational Interview:** The objective of this interview is to ask for advice and learn more about a particular career field, employer or particular job. Interviewing experts in their field is one more way to become more occupationally literate. The knowledge that you gain here will make you sharper and more informed. You will also make a contact and further develop your network.
4. **Structured Interview:** Here, every single detail of the interview is decided in advance. The questions to be asked, the order in which the questions will be asked, the time given to each candidate, the information to be collected from each candidate, etc. is all decided in

advance. Structured interview is also called Standardised, Patterned, Directed or Guided interview. Structured interviews are preplanned. They are accurate and precise. All the interviews will be uniform (same). Therefore, there will be consistency and minimum bias in structured interviews.

5. **Unstructured Interview:** This interview is not planned in detail. Hence, it is also called as Non-directed interview. The question to be asked, the information to be collected from the candidates, etc. are not decided in advance. These interviews are non-planned and therefore, more flexible. Candidates are more relaxed in such interviews. They are encouraged to express themselves about different subjects, based on their expectations, motivations, background, interests, etc. Here, the interviewer can make a better judgment of the candidate's personality, potentials, strengths and weaknesses. However, if the interviewer is not efficient, then the discussions will lose direction and the interview will be a waste of time and effort.
6. **Depth Interview:** This is a semi-structured interview. The candidate has to give detailed information about his background, special interest, etc. He also has to give detailed information about his subject. Depth interview tries to find out if the candidate is an expert in his subject or not. Here, the interviewer must have a good understanding of human behaviour.
7. **Stress Interview:** The purpose of this interview is to find out how the candidate behaves in a stressful situation. That is, whether the candidate gets angry or gets confused or gets frightened or gets nervous or remains cool in a stressful situation. The candidate who keeps his cool in a stressful situation is selected for the stressful job. Here, the interviewer tries to create a stressful situation during the interview. This is done purposely by asking the candidate rapid questions, criticising his answers, interrupting him repeatedly, etc.
8. **Informal Interview:** Informal interview is an oral interview which can be arranged at any place. Different questions are asked to collect the required information

from the candidate. Specific rigid procedure is not followed. It is a friendly interview.

9. **Formal Interview:** Formal interview is held in a more formal atmosphere. The interviewer asks preplanned questions. Formal interview is also called planned interview.
10. **Exit Interview:** When an employee leaves the company, he is interviewed either by his immediate superior or by the HRD manager. This interview is called an exit interview. Exit interview is taken to find out why the employee is leaving the company. Sometimes, the employee may be asked to withdraw his resignation by providing some incentives. Exit interviews are taken to create a good image of the company in the minds of the employees who are leaving the company. They help the company to make proper HRD policies, to create a favourable work environment, to create employee loyalty and to reduce labour turnover.

### Review Questions

1. What is staffing? Describe the importance of staffing in business.
2. What is meant by recruitment? Enlist sources of recruitment.
3. What is selection? Explain the steps in selection procedure.
4. Distinguish between recruitment and selection
5. Explain the different types of employment tests.
6. Describe different types of interviews.

### Objective Questions

1. Select proper option from the choices given below and rewrite the sentence.

1. Staffing is concerned with \_\_\_\_\_.  
(a) Physical factor (b) Financial factor  
(c) Human factor
2. \_\_\_\_\_ is the process of choosing the most suitable person out of all applicants.  
(a) Appointment (b) Placing (c) Selection

3. \_\_\_\_\_ means to estimate the available vacancies and to make suitable arrangements for their selection and appointment.

(a) Placing      (b) Selection      (c) Recruitment

*Ans: 1. Human factor, 2. Selection, 3. Recruitment*

**2. State whether the following statements are true or false.**

1. Staffing is an ongoing process.
2. Right man for right job is the basic function of staffing.
3. Selection is time-consuming and lengthy process.
4. Selection is positive function.

*Ans: 1. True 2. True 3. True 4. False*

**3. Match the columns.**

Group A	Group B
1. Staffing	(a) Selection by committee
2. Recruitment	(b) Information of job
3. Selection	(c) Choosing suitable candidate
4. Job analysis	(d) Searching prospective candidates
5. Panel interview	(e) Negative function

*Ans: 1. (e), 2. (d), 3. (c), 4. (b), 5. (a)*





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# 5

## Directing and Controlling

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- ❖ **Meaning and Importance of Directing**
- ❖ **Principles of Directing**
- ❖ **Leadership Traits and Styles**
- ❖ **Motivation – Importance and Factors**
- ❖ **Co-ordination – Meaning, Features and Importance**
- ❖ **Meaning and Steps in Controlling**
- ❖ **Essentials of a Good Control System**

### **DIRECTING — MEANING AND INTRODUCTION**

Directing refers to instructing, guiding, communicating and inspiring people, so that objectives can be achieved. In the process of directing, the employees are given instructions and guidance to achieve a goal or objective. They are trained to develop communication and are inspired to achieve their objectives.

Hence, directing is concerned with instructing, guiding, supervising and inspiring people in the organisation to achieve its objectives. It is the process of telling people what to do and seeing that they do it in the best possible manner.

In directing, the manager has to perform three distinct tasks:

1. Communication, i.e., the process of passing information from one person to another.

2. Leadership, i.e., the process by which the manager influences and guides the work of his subordinates.
3. Motivation, i.e., the act of stimulating the people so that they give their best to the organisation.

The directing function, thus, involves:

- telling people what is to be done and explaining to them how to do it;
- issuing instructions and orders to subordinates to carryout their assignments as scheduled;
- supervising their activities;
- inspiring them to meet the manager's expectation and contribute towards the achievement of organisational objectives; and
- providing leadership.

## **DEFINITIONS OF DIRECTING**

- A basic management function that includes building an effective work climate and creating opportunity for motivation, supervising, scheduling, and disciplining.
- Directing involves not only instructing people what to do, but ensuring that they know what is expected of them.

## **IMPORTANCE OF DIRECTING**

Plans remain mere plans unless they are put into action. In the absence of direction, subordinates will have no idea as to what to do. They will probably not be inspired to complete the job satisfactorily. Implementation of plans is, thus, largely the concern of directing function. As a function of management, directing is useful in many ways,

It guides and helps the subordinates to complete the given task properly and as per schedule.

- It provides the necessary motivation to subordinates to complete the work satisfactorily and strive to do them best.

- It helps in maintaining discipline and rewarding those who do well.
- Directing involves supervision, which is essential to make sure that work is performed according to the orders and instructions.
- Different people perform different activities in the organisation.

All the activities are interrelated. In order to coordinate the activities carried out in different parts and to ensure that they are performed well, directing is important. It, thus, helps to integrate the various activities and so also the individual goals with organisational goals.

- Directing involves leadership that essentially helps in creating appropriate work environment and build up team spirit.

**1. It Initiates Action:** The employees are appointed up to the first three functions of management (planning, organising and staffing). But they cannot commence their job until they are not informed about what to do and how to do the manager performs this job through direction. Thus, it is evident that it is direction which initiates action in an organisation.



2. **It Integrates Employees Efforts:** Many employees work in an organisation. The activities of all of them are correlated. Success of an organisation is possible only when everybody does their job efficiently. If any one of employees in the employees'- chain does not perform up to the mark, it adversely affects the performance of the remaining employees.

Thus, it is essential to establish coordination among all the activities. The manager establishes this coordination by supervising, providing good leadership, motivating and exchanging ideas with his subordinates. For example, an employee welcomes customers at a readymade garments' showroom.

The second employee shows products to them, the third is engaged in packing, the fourth takes the payment and the fifth says goodbye to them. Customer will be satisfied when all the five employees perform their duties efficiently. If the employee whose job is to show the products does not behave properly with the customers, this will turn the effort of all other employees to be a mere waste.

3. **It is the Means of Motivation:** The objectives of an organisation can only be achieved by motivated employees. Motivated employees work with full dedication and with a feel of belongingness. Now, the question is: How can the employees be motivated? The work of motivating employees can be accomplished through the directing function of management.

For example, under directing function of management, the problems of employees are curbed by the manager there and then. Also, he guides them in the right direction. In this manner, they deliver work performance of superior quality. They get both the appreciation and salary hike for their better work performance. As a result, they get motivated.

4. **It Facilitates Implementing Changes:** Often, the employees show resistance to change in their organisational structure. But with the changing demand of time, it needs to

be implemented/enforced. Managers, through the medium of direction, shapes the mindset of the employees in a manner that they willfully accept changes.

For example, if in an office typewriters are replaced with computers, then a typist who does not have the knowledge of computer will definitely show resistance to this change. The reason of this resistance is the fear of losing the job.

Manager through effective direction makes them a part of change process and acquaints them with the benefits of this change. He motivates them to learn modern technology.

- 5. It Creates Balance in the Organisation:** Sometimes, there is a clash between individual and organisational objective. Directing helps to settle down these clashes and creates a balance in the organisation.

On the one hand, a person works in an organisation for the fulfillment of his objectives like higher salary, promotion, etc. On the other hand, the objectives of a company can be to earn higher profits, more market share etc. Managers, through direction, tell employees how they can fulfill their objectives while achieving organisational objectives.

For example, Libra Cosmetics Company Ltd. offers commission to its Sales Manager in addition to the fixed salary. To earn more commission he wants to make more and more sales. In this effort, he recommends for introducing the scheme of “Buy Two, Get One Free”. But higher officials, considering it to be a costly affair, reject the same.

This is a situation of clash between individual and organisational objective. Here, rightful direction is needed.

The sales manager by playing the role of director suggests ways to sales representative as to how he can increase sales and thus settles down the clash which subsequently, establishes balance in the organisation. The sales manager can suggest more advertising, better services – after-sales, sales on credit, etc.

## PRINCIPLES OF DIRECTING

- 1. Principle of Maximum Individual Contribution:** According to this principle, management should adopt that directing policy through which the employees get motivated and give their maximum individual contribution for the achievement of organisational objective.
- 2. Principle of Harmony of Objectives:** There must be full coordination between organisational and individual objectives. Employees work in an organisation with an objective to get better remuneration, promotion, etc. On the other hand, organisational goal can be to earn more profits and to increase market share.

Sometimes, it is seen that there is a conflict between the objectives of both the parties, e.g., organisation wants that it should get a major share of profit whereas employees perceives that as they work directly on the job, so more profit must be shared among them in the form of bonus.



- 3. Principle of Unity of Command:** A subordinate should get directions from one officer at a time. If the subordinate gets

directions from more than one officer, the subordinate will be unable to prioritise his work.

As a result, situation of confusion, conflict and disarrangement is created. By following this principle, effective direction takes place.

**4. Principle of Appropriateness of Direction Technique:** Appropriate direction techniques should be used, e.g., to supervise effectively, to provide able leadership, to adopt free communication and to motivate through right medium.

**5. Principle of Managerial Communication:** It should be monitored by the management that the subordinates get the same meaning for what has been said. This simplifies the job of the subordinates and they need not go to the managers repeatedly for enquiring.

**6. Principle of Use of Informal Organisation:** According to this principle, there must be a free flow of information between the seniors and the subordinates. The success of direction depends upon effective exchange of information to a great extent.

Information should be given both through formal and informal mediums. Special attention should be given to the informal organisation. This strengthens the formal organisation.

**7. Principle of Leadership:** While giving directions to the subordinates a good leadership must be provided by the managers. By this, subordinates get influenced by the managers. In this situation, subordinates act according to the wish of the managers.

**8. Principle of Follow Through:** It must be monitored by management as to what extent the policies framed and issued directions have been enforced. Thus, it must be seen whether the employees are following the management or not.

If yes, then to what extent. As per this principle, the job of managers is not to sit idle after framing policies or issuing directions but to continuously take feedback. The advantage

of this will be that if there is any problem in implementing a policy or a direction, it can be removed then and there.

## **LEADERSHIP TRAITS AND STYLES**

Leadership is such a natural part of human behaviour, that breaking it down into something academic and quasi-scientific seems a little out of place, like dissecting an ice-cream sundae with an electron microscope.

But even though leadership is something so ingrained in the human experience, the study of leadership theory gives us a better understanding of the dynamic of leadership, which in turn makes it easier for us to be better leaders or team players.

Leadership is the process which influences the people and inspires them to willingly accomplish the organisational objectives. The main purpose of managerial leadership is to get willing cooperation of the work group in pursuit of the goals.

The objectives of any organisation can only be fulfilled if its employees are working towards accomplishment of such objectives.

To make people work in the desired manner, proper instructions and guidance are necessary. And this direction process becomes effective when the persons who give such direction have leadership qualities. Leadership is essential in functioning of any organisation and its importance and benefits are varied. Some of these importances are:

- Leadership improves the performance of the employees. Leaders can motivate the followers to work and thereby increase their performance level.
- With continuous support and guidance, leaders are able to build confidence among the followers, thereby increasing speed and accuracy and decreasing wastage.
- With friendly and cooperative efforts, the leader is able to build employees' morale which in turn contribute to higher productivity,



Here are some of the fundamental issues that are addressed by leadership theory:

- **What is Leadership:** It may seem like a simple question, but the number of different answers might surprise you. How you answer this question will shape how you grow as a leader.
- **Different Leadership Models:** There are different approaches to leadership that offer different directions. They can help shape your outlook to particular situations.
- **The Traits of Leadership:** Leadership theory can break down the psychological traits of effective leaders. So, they can be emulated.
- **The Environmental Components of Leadership:** Studying the dynamic of leadership with different conditions shows the relationship between the leader and his or her team, and also the way organisations and events shape the leadership strategies.

## LEADERSHIP QUALITIES

- In order to be successful, a leader must possess certain qualities. A good leader should be professionally competent, intelligent, analytical and he/she should have a sense of fair play, including honesty, sincerity, integrity, and sense of responsibility.
- He must possess initiative, perseverance, be diligent and realistic in his outlook. He must also be able to communicate to his subordinates effectively. Human relation skills are a must for any leader.
- Earlier, it was believed that the success or effectiveness of a leader depends upon his personal traits or characteristics, like physical appearance, intelligence, self-confidence, alertness, and initiative. This is no longer regarded as a correct approach. It has been established on the basis of experiments that the success or effectiveness of a person as a

leader depends upon his behaviour pattern or leadership style in relation to the followers.

- To get things done, managers have to influence their subordinates and seek their voluntary cooperation. If their leadership is not based on suitable behaviour or style, they will not be successful. When leaders involve people in determining goals, and build up team spirit, chances are that people will follow them voluntarily.

Here are some of the most common traits in the characteristics of leadership:

- **Empathy:** Creating a legitimate rapport with your staff makes it less likely that personal issues and resentment can creep in and derail the group. When your team knows that you are empathetic to their concerns, they will be more likely to work with you and share in your vision, rather than foster negative feelings.
- **Consistency:** Being a consistent leader will gain you respect and credibility, which is essential to getting buy-in from the group. By setting an example of fairness and credibility, the team will want to act the same way.
- **Honesty:** Another characteristic of leadership that lends itself to credibility. Those who are honest, especially about concerns, make it far more likely that obstacles will be addressed rather than avoided. Honesty also allows for better assessment and growth.
- **Direction:** Having the vision to break out of the norm and aim for great things – then the wherewithal to set the steps necessary to get there – is an essential characteristic of good leadership. By seeing what can be and managing the goals on how to get there, a good leader can create impressive change.
- **Communication:** Effective communication helps keep the team working on the right projects with the right attitude. If you communicate effectively about expectations, issues and

advice, your staff will be more likely to react and meet your goals.

- **Flexibility:** Not every problem demands the same solution. By being flexible to new ideas and open-minded enough to consider them, you increase the likelihood that you will find the best possible answer. You will set a good example for your team and reward good ideas.
- **Conviction:** A strong vision and the willingness to see it through is one of the most important characteristics of leadership. The leader who believes in the mission and works toward it will be an inspiration and a resource to their followers.

## LEADERSHIP STYLES

A leadership style is a leader's style of providing direction, implementing plans, and motivating people. There are many different leadership styles that can be exhibited by leaders in the political, business or other fields.

### 1. Authoritarian

The authoritarian leadership style or autocratic leader keeps strict, close control over followers by keeping close regulation of policies and procedures given to followers. To keep main emphasis on the distinction of the authoritarian leader and their followers, these types of leaders make sure to only create a distinct professional relationship. Direct supervision is what they believe to be key in maintaining a successful environment and followership. In fear of followers being unproductive, authoritarian leaders keep close supervision and feel this is necessary in order for anything to be done. Authoritarian leadership styles often follow the vision of those that are in control, and may not necessarily be compatible with those that are being led. Authoritarian leaders have a focus on efficiency, as other styles, such as a democratic style, may be seen as a hindrance on progress.

Examples of authoritarian communicative behaviour: a police officer directing traffic, a teacher ordering a student to do his or her assignment, and a supervisor instructing a subordinate to clean a workstation. All of these positions require a distinct set of characteristics that give the leader the position to get things in order or get a point across. Authoritarian Traits: sets goals individually, engages primarily in one-way and downward communication, controls discussion with followers and donates interaction.

## **2. Paternalistic**

The way a Paternalistic leader works is by acting as a father figure by taking care of their subordinates as a parent would. In this style of leadership, the leader supplies complete concern for his followers or workers. In return, he receives the complete trust and loyalty of his people. Workers under this style of leader are expected to become totally committed to what the leader believes and will not strive off and work independently. The relationship between these co-workers and leader are extremely solid. The workers are expected to stay with a company for a longer period of time because of the loyalty and trust. Not only do they treat each other like family inside the workforce, but outside too. These workers are able to go to each other with any problems they have regarding something because they believe in what they say is going to truly help them.

One of the downsides to a paternalistic leader is that the leader could start to play favourites in decisions. This leader would include the workers more apt to follow and start to exclude the ones who were less loyal. In today's market, paternalism is more difficult to come by according to Padavic and Earnest who wrote "Business Dimensional and Organisational Counselling." They believe this because there have become more lay-offs and stronger unionisation. This affects paternalistic leaders because the co-workers may not believe that their jobs are 100% ensured. When this happens, workers begin to look for bigger and better job opportunities instead of staying at one company for a longer period of time. Because of this, the leader may be thinking that you could be leaving and not fully believe you when you tell them something about a job

opportunity. This could put the workers and leader at risk for a bad situation.

According to B.M. Bass who wrote “Leadership and Performance Beyond Expectations”, workers who follow paternalistic leadership also have better organisation skills. The leader encourages organisation because they allow the workers to complete tasks so that they can stay on top of their work. The workers complete tasks. This boosts self-confidence and it makes them work harder to reach a goal and exceed the goal to prove to their boss they are working hard. Having this style of leadership can also help implement a reward system. This system will allow their workers to work even better because there is something for them at the end of the tunnel. While doing this, they will also be able to accomplish more work in a set time frame.

### 3. Democratic

The democratic leadership style consists of the leader sharing the decision making abilities with group members by promoting the interests of the group members and by practicing social equality.

This style of leadership encompasses discussion, debate and sharing of ideas and encouragement of people to feel good about their involvement. The boundaries of democratic participation tend to be circumscribed by the organisation or the group needs and the instrumental value of people’s attributes (skills, attitudes, etc.). The democratic style encompasses the notion that everyone, by virtue of their human status, should play a part in the group’s decisions. However, the democratic style of leadership still requires guidance and control by a specific leader. The democratic style demands the leader to make decisions on who should be called upon within the group and who is given the right to participate in, make and vote on decisions. Traits of a Good Leader compiled by the Santa Clara University and the Tom Peters Group:

- **Honest:** Display sincerity, integrity, and candor in all your actions. Deceptive behaviour will not inspire trust.

- **Competent:** Base your actions on reason and moral principles. Do not make decisions based on childlike emotional desires or feelings.
- **Forward-looking:** Set goals and have a vision of the future. The vision must be owned throughout the organisation. Effective leaders envision what they want and how to get it. They habitually pick priorities stemming from their basic values.
- **Inspiring:** Display confidence in all that you do. By showing endurance in mental, physical, and spiritual stamina, you will inspire others to reach for new heights. Take charge when necessary.
- **Intelligent:** Read, study, and seek challenging assignments.
- **Fair-minded:** Show fair treatment to all people. Prejudice is the enemy of justice. Display empathy by being sensitive to the feelings, values, interests, and well-being of others.
- **Broad-minded:** Seek out diversity.
- **Courageous:** Have the perseverance to accomplish a goal, regardless of the seemingly insurmountable obstacles. Display a confident calmness when under stress.
- **Straightforward:** Use sound judgment to make a good decisions at the right time.
- **Imaginative:** Make timely and appropriate changes in your thinking, plans, and methods. Show creativity by thinking of new and better goals, ideas, and solutions to problems. Be innovative!

Research has found that this leadership style is one of the most effective and creates higher productivity, better contributions from group members and increased group morale. Democratic leadership can lead to better ideas and more creative solutions to problems because group members are encouraged to share their thoughts and ideas. While democratic leadership is one of the most effective leadership styles, it does have some potential downsides. In situations where roles are unclear or time is of the essence, democratic leadership can lead to communication failures and

uncompleted projects. Democratic leadership works best in situations where group members are skilled and eager to share their knowledge. It is also important to have plenty of time to allow people to contribute, develop a plan and then vote on the best course of action.

#### 4. Laissez-faire

The laissez-faire leadership style is where all the rights and power to make decisions is fully given to the worker. This was first described by Lewin, Lippitt, and White in 1938, along with the autocratic leadership and the democratic leadership styles. The laissez-faire style is sometimes described as a “hands off” leadership style because the leader delegates the tasks to their followers while providing little or no direction to the followers.[6][unreliable source?] If the leader withdraws too much from their followers it can sometimes result in a lack of productivity, cohesiveness, and satisfaction.

Laissez-faire leaders allow followers to have complete freedom to make decisions concerning the completion of their work. It allows followers a high degree of autonomy and self-rule, while at the same time offering guidance and support when requested. The laissez-faire leader using guided freedom provides the followers with all materials necessary to accomplish their goals, but does not directly participate in decision making unless the followers request their assistance.

This is an effective style to use when:

- Followers are highly skilled, experienced, and educated.
- Followers have pride in their work and the drive to do it successfully on their own.
- Outside experts such as staff specialists or consultants are being used.
- Followers are trustworthy and experienced.

This style should NOT be used when:

- Followers feel insecure at the unavailability of a leader.
- The leader cannot or will not provide regular feedback to their followers.

## 5. Transactional

### *Main Article: Transactional Leadership*

The transactional style of leadership was first described by Max Weber in 1947 and then later described by Bernard Bass in 1981. Mainly used by management, transactional leaders focus their leadership on motivating followers through a system of rewards and punishments. There are two factors which form the basis for this system, Contingent Reward and Management by Exception.

- Contingent Reward provides rewards, materialistic or psychological, for effort and recognises good performance.
- Management by Exception allows the leader to maintain the status quo. The leader intervenes when subordinates do not meet acceptable performance levels and initiates corrective action to improve performance. Management by exception helps reduce the workload of managers being that they are only called-in when workers deviate from course.

This type of leader identifies the needs of their followers and gives rewards to satisfy those needs in exchange of certain level of performance.

Transactional leaders focus on increasing the efficiency of established routines and procedures. They are more concerned with following existing rules than with making changes to the organisation.

A transactional leader establishes and standardises practices that will help the organisation reach:

- Maturity
- Goal-setting
- Efficiency of operation
- Increasing productivity.

“Effect on Work Teams” survey done by Jun Liu, Xiaoyu Liu and Xianju Zeng on the correlation of transactional leadership and how innovations can be affected by team emotions. The research was composed of 90 work teams, with a total of 460 members and 90



team leaders. The study found that there is a relationship between emotions, labour behaviour and transactional leadership that affect the team. Depending on the level of emotions of the team, this can affect the transactional leader in a positive or negative way.

Transactional leaders work better in teams where there is a lower level of emotions going into the project. This is because individuals are able to:

- Think freely when setting their emotions aside from their work.
- Have all of their focus on the given task.

A transactional leader is:

1. Negatively affected when the emotional level is high.
2. Positively affected when the emotional level is low.

Transactional leadership presents a form of strategic leadership that is important for the organisation development. Transactional leadership is essential for team innovativeness.

## **6. Transformational**

A transformational leader is a type of person in which the leader is not limited by his or her followers perception. The main objective is to work to change or transform his or her followers needs and redirect their thinking. Leaders that follow the transformation style of leading, challenge and inspire their followers with a sense of purpose and excitement. They also create a vision of what they aspire to be, and communicate this idea to others (their followers). According to Schultz and Schultz, there are three identified characteristics of a transformational leader:

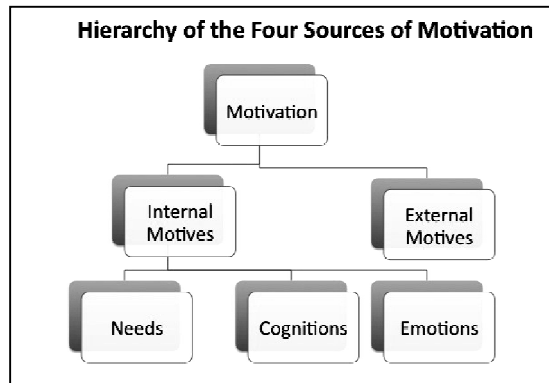
- Charismatic leadership has a broad knowledge of field, has a self-promoting personality, high/great energy level, and willing to take risk and use irregular strategies in order to stimulate their followers to think independently
- Individualized consideration
- Intellectual stimulation

## MOTIVATION – IMPORTANCE AND FACTORS

Motivation is a critical aspect of business, where the input of human resources is maximised through achieving a high level of output.

- Motivation is generally what energises, maintains, and controls behaviour; it acts as a stimulus for desirable actions.
- The importance of motivation in the workplace is straightforward theoretically, but difficult to measure empirically.
- Salary is often enough to keep employees working for an organisation, but not necessarily enough to capitalise on their full potential.
- Motivated employees will retain a high level of innovation while producing higher quality work at a higher level of efficiency.
- The opportunity cost in motivating employees is essentially zero.

Motivation from a psychological perspective has various definitions, many of which directly relate to the way a business or a manager may look to employ it. Motivation results in goal-directed behaviour that employs foresight as to the way in which that energy is being used, underlining that the energy input will act as an investment toward a preferable outcome. The importance of motivation from a professional standpoint is enormous, as much of what employees do is specifically delegated to capture present or future value for their company.



Adapted from Reeve (2009), p. 9.

### Internal and External Motives

This chart illustrates the varying categories of motivation.

Evidence implies that motivated employees will provide the following benefits:

- Motivated employees always look for better ways to do a job.
- Motivated employees are quality oriented.
- Motivated workers are more productive and efficient.

In summary, motivated employees will retain a high level of innovation while producing higher quality work at a higher level of efficiency. While these benefits are broad, and therefore relatively vague, it also puts forth the argument that motivated employees have no downsides or costs. The opportunity cost in motivating employees is essentially zero, assuming it does not require additional capital to coach managers to act as effective motivators.

## 5 MAIN IMPORTANCE OF MOTIVATION IN MODERN ORGANISATIONS

1. **Productive Use of Resources:** Modern organisations work through physical, financial and human resources. The utilisation of physical and financial resources depends on the willingness of people to work.

Motivation enables people to convert physical and financial resources into useful products. It helps management to get the best out of human as well as non-human resources.

2. **Increased Efficiency and Output:** Motivation enables people to work enthusiastically. Performance is a product of not merely ability to do a task but the willingness to do the same with zeal and enthusiasm. Motivation bridges the gap between the overall efficiency and output. This, ultimately, helps in reducing the cost of operation.
3. **Achievement of Goals:** Motivation causes goal-directed behaviour. It helps people to move in a desired direction and earn rewards. In organisations where managers try to understand the needs of employees and institute appropriate incentive systems, accomplishment of goals is fairly easy.
4. **Development of Friendly Relationships:** Motivation brings employees closer to organisation. The needs of employees are met through attractive rewards, promotional opportunities, etc. employees begin to take more interest in organisational work.

Their morale are high. They begin to think that the enterprise belongs to them and the interests of the enterprise are their interests and there is no difference between them. This helps in developing cordial relations between management and workers.

5. **Stability in Workforce:** Attractive motivational schemes satisfy the needs of employees. As a result, their commitment to organisational work increases. Employees do their tasks loyally and enthusiastically, they are not tempted to leave the organisation.

## **FACTORS AFFECTING EMPLOYEE MOTIVATION**

Increase employee performance by harnessing the power of motivation.

Employee motivation and productivity can be enhanced and improved by creating a work environment that maximises the factors that affect performance. These factors are simple to understand, easy to measure, and can add tremendous value to any organisation that is willing to implement them. Use these 10 tips to make sure that your employees are energised and inspired to produce the best results possible.

- 1. Interesting Work:** Intrinsic motivation comes from the sheer joy and pleasure of doing a task. When you read a great book, no one has to pay for each page you read. It is a pleasure to learn how the story unfolds and watch the plot develop. It is the same way with employee motivation. To maximise employee performance, find out what employees like about their jobs and then try to add more tasks that align with their own natural interests and talents.
- 2. Appreciation and Recognition:** William James said, “The deepest desire in human nature is to be appreciated.” It does not matter how much you pay someone, everyone wants to know that their efforts are being seen and appreciated, especially by their manager. Don’t just send them a thank you e-mail – that just means you care enough to hit the “Enter” key. If you really want to thank someone, buy them a real “Thank You” card and describe how their behaviour and performance has added value to the team and organisation. Make it a point to catch people doing things right and they will inevitably do things right more often.
- 3. Feeling Involved in the Work Process:** Research shows that when people get to participate in creating a system or process, they are much more likely to follow it than one simply imposed upon them by an outside expert. Recognise that the people doing the job have the knowledge of how things can be done better, faster, and cheaper. If you want them to tell you, then make it easy for them to offer suggestions and reward employees who contribute ideas that add value to the bottom line.

4. **Achievement:** Napoleon once remarked, “It is amazing how willing men are to risk their lives for a little bit of tin and ribbon to wear upon their chest.” Awards and prizes can serve as a great motivator to harness the power of healthy competition. It is always better to use rewards that are meaningful and inspiring. When an employee exceeds your expectations, then make sure you recognise their achievement. On the day someone retires, they will pack up these awards and prizes to serve as fond reminders of a wonderful career.
5. **Job Security:** If everybody had what it takes to be an entrepreneur, then there would be no General Electric or Toyota and we would all be buying products from artisans and craft workers. Thankfully, many people prefer to be part of a large organisation and can be more productive when they get to focus on doing their job instead of worrying about developing a business plan or marketing strategy. Telling people that they are lucky to have a job creates an atmosphere of fear and worry that decreases job performance. Instead, tell your employees that the company is lucky to have such a skilled and committed workforce and people will take pride in their work and their company.
6. **Increased Responsibility:** We all know that some employees lack ambition and have no desire to advance on the job, but the vast majority of workers want a chance to take on more responsibility and add more value to the organisation. Always be aware of opportunities for training that will equip your employees with the skills and tools they will need to advance in their career. Always try to fill open positions with internal applicants before looking for an outside candidate. This will create a culture of career development and preserve institutional memory and organisational knowledge so that it can be transferred to rising employees as they advance in their own career.
7. **Good Wages:** Robert Bosch, founder of the world’s largest automobile parts supplier, said, “I do not pay good wages

because I have a lot of money; I have a lot of money because I pay good wages.” If you want motivated, high productive employees, you have to pay such people according to their ability and performance. Good employees are motivated by more than just good wages, but never allow low wages to be the wedge a competitor can use to steal away your best people.

8. **Good Working Conditions:** If you want to get the most out of people, you need to create an environment that facilitates success. At the minimum, you must offer a safe, clean, and sanitary work site. To get the most out of employees, help them take pride in their workspace, even if it is only a cubicle or workstation. Allow people to personalise their own work sites with photos or small trinkets so they will feel like they have a place that belongs solely to them.
9. **Being Part of a Team:** Being part of a dysfunctional team is an emotionally draining experience that results in low morale, low productivity, and high turnover. The great coach, Vince Lombardi, once remarked, “Individual commitment to a group effort – that is what makes a teamwork, a company work, a society work, a civilisation work.” We are all social beings and we all want to be part of a healthy team where we can give and receive support, help, and encouragement.
10. **Help with Personal Problems:** How many times have you heard about a bad boss who told their employees to leave their problems at the door so they could focus on their job? Unfortunately, they probably left their motivation and productivity at the door as well. Smart managers know that it is not their job to be a counsellor or therapist, but it is their job to recognise when one of their employees is having personal problems that are affecting their job performance.

## COORDINATION – MEANING

In the organisation, there are many individuals, groups and departments. They perform many different activities. Coordination

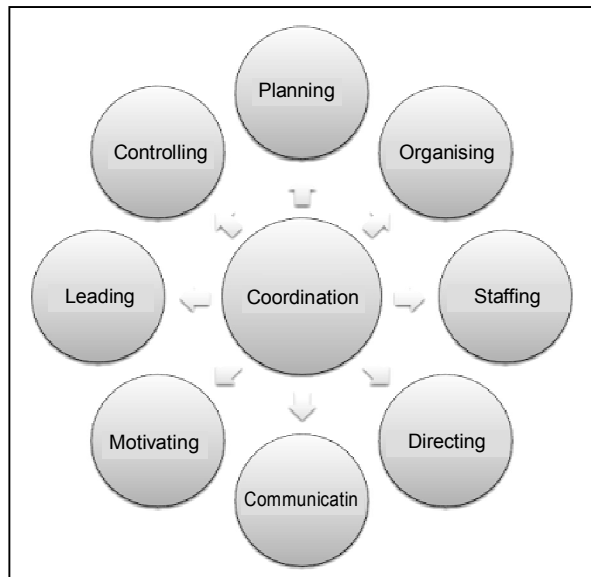
means to integrate (i.e., bring together) these activities for achieving the objectives of the organisation.

Coordination is done to achieve the objectives of the organisation. Coordination is a process. It is not fixed. It applies to group activities. It does not apply to individual activities. The managers have to make special efforts to get coordination. Coordination does not come automatically. Coordination leads to unity of action.

Coordination encourages team spirit. It gives proper direction to the organisation. It motivates the employees. It makes proper use of the resources. Coordination affects all the functions of management. Therefore, it is also called the “*Essence of Management*”.

“Coordination is the essence of Management.” The meaning of this sentence implies coordination affects all the functions of management. In other words, Coordination affects Planning, Organising, Staffing, Directing, Communication, Motivating and Controlling.

## FEATURES OF COORDINATION





- 1. Planning and Coordination:** According to Harold Koontz and Cyril O'Donnell, "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it."

There are many departmental plans in a business. These include Purchase Plan, Sales Plan, Production Plan, Finance Plan, etc. All these plans must be coordinated (brought together) and one Master Plan must be made for the full business. Therefore, planning is affected by coordination.
- 2. Organising and Coordination:** There are many steps in organising. All these steps must be coordinated for achieving the objectives of the business. The top level managers must coordinate the efforts of the middle level managers. Similarly, the middle level managers must coordinate the efforts of the lower level managers. Furthermore, the Lower Level Managers must also coordinate the efforts of the workers. Therefore, organisation is affected by coordination.
- 3. Staffing and Coordination:** Staffing involves recruitment and selection, training, placement, promotion, transfer, etc. All these steps must be properly coordinated. Similarly, the efforts of all the individuals, groups and departments must be coordinated for achieving the objectives of the business. Therefore, staffing is affected by coordination.
- 4. Directing and Coordination:** Directing means giving necessary information, proper instructions and guidance to subordinates. This results in coordination. Therefore, direction is affected by coordination.
- 5. Communicating and Coordination:** Many types of communication methods are used in a business. These methods include formal communication, informal communication, upward communication, downward communication, oral communication, written communication, etc. It is important to note that, all these types of communication must be properly coordinated. Lack of proper coordination will hinder the smooth functioning of the communication process. Furthermore, it will also restrict the important information flow and cause many economic

problems to the business. Thus, communication is affected by coordination.

6. **Motivating and Coordination:** There are many types of motivation. These are positive Motivation, negative motivation, financial motivation, and non-financial motivation. All these types of motivation must be properly coordinated. Therefore, motivation is affected by coordination.
7. **Leading and Coordination:** Every manager must be a good leader. He must coordinate the efforts of his subordinates for achieving the objectives. That is, he must coordinate the human resource. He must also coordinate the material and financial resources of the organisation. In short, a leader cannot survive without coordination. In other words, leadership cannot be performed without coordination. Therefore, Leadership is affected by coordination.
8. **Controlling and Coordination:** In controlling, the standards are first fixed. Then the performances are measured. Performances are compared with the standards, and the deviations are found out. Then the deviations are corrected. So, controlling involves many steps. All these steps must be properly coordinated. If coordination is not proper, control will surely fail. Therefore, control is also affected by coordination.

Now, we can conclude that all the functions of management are affected by coordination. Hence, coordination is essential for achieving the objectives of the organisation. It is also required for the survival, growth and profitability of the organisation. Coordination encourages team spirit, gives right direction, motivates employees, and makes proper utilisation of resources. Therefore, coordination is rightly called the “Essence of Management”.

## IMPORTANCE OF COORDINATION

The need and importance of coordination can be judged from points below:

- 1. Coordination Encourages Team Spirit:** There exist many conflicts and rivalries between individuals, departments, between a line and staff, etc. Similarly, conflicts are also between individual objectives and organisational objectives. Coordination arranges the work and the objectives in such a way that there are minimum conflicts and rivalries. It encourages the employees to work as a team and achieve the common objectives of the organisation.
- 2. Coordination Gives Proper Direction:** There are many departments in the organisation. Each department performs different activities. Coordination integrates (brings together) these activities for achieving the common goals or objectives of the organisation. Thus, coordination gives proper direction to all the departments of the organisation.
- 3. Coordination Facilitates Motivation:** Coordination gives complete freedom to the employees. It encourages the employees to show initiative. It also gives them many financial and non-financial incentives. Therefore, the employees get job satisfaction, and they are motivated to perform better.
- 4. Coordination Makes Optimum Utilisation of Resources:** Coordination helps to bring together the human and material resources of the organisation. It helps to make optimum utilisation of resources. These resources are used to achieve the objectives of the organisation. Coordination also minimise the wastage of resources in the organisation.
- 5. Coordination Helps to Achieve Objectives Quickly:** Coordination helps to minimise the conflicts, rivalries, wastages, delays and other organisational problems. It ensures smooth working of the organisation. Therefore, with the help of coordination, an organisation can achieve its objectives easily and quickly.

**6. Coordination Improves Relations in the Organisation:**

The top level managers coordinates the activities of the middle level managers and develops good relations with them. Similarly, the middle level managers coordinates the activities of the lower level managers and develops good relations with them. Also, the lower level managers coordinates the activities of the workers and develops good relations with them. Thus, coordination overall improves the relations in the organisation.

**7. Coordination Leads to Higher Efficiency:**

Efficiency is the relationship between returns and cost. There will be higher efficiency when the returns are more and the cost is less. Since coordination leads to optimum utilisation of resources, it results in more returns and low cost. Thus, coordination leads to higher efficiency.

**8. Coordination Improves Goodwill of the Organisation:**

Coordination helps an organisation to sell high quality goods and services at lower prices. This improves the goodwill of the organisation and helps it earn a good name and image in the market and corporate world.

## CONTROLLING — MEANING

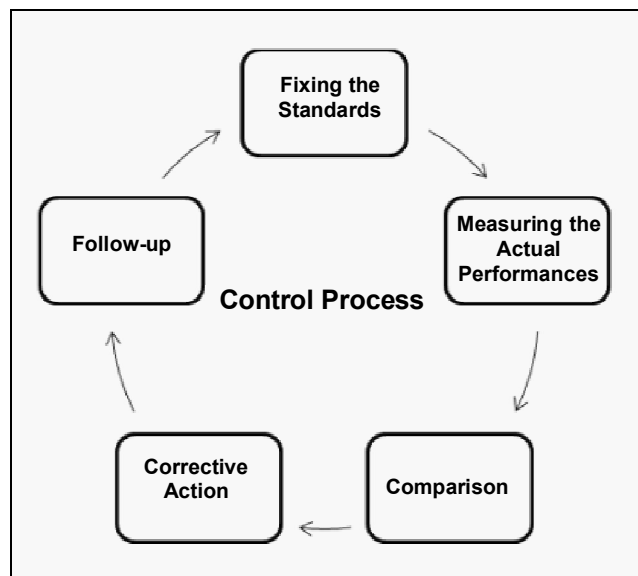
Controlling is the basic managerial function. It is the process of ensuring the actual activities confined to planned activity. It is an essential function for all levels of management. It ensures that right things are done in the right manner at right time. Each and every organisation set the goals. All activities are directed towards the goals. Controlling is defined as a measurement of actual performance and expected performance and taking corrective action. Its purpose is to make sure that actual performance is consistent with plans.

### Definition of Controlling

- According to James Stoner controlling is the process of ensuring that actual activities conform to the planned activities.

## 5 STEPS IN CONTROL PROCESS

Five main steps in the control process with diagram are discussed below:



### 1. Fixing the Control Standards/Objectives/Targets

A standard is a criterion (base) which is used to measure the performance of the subordinates. Standards may be of two types, i.e., Quantitative Standards and Qualitative Standards.

Quantitative Standard can be easily defined and measured, for e.g., number of products, number of customers, cost, net profit, time limits, etc.

Qualitative Standard cannot be easily defined and measured, for e.g., measurement of morale, measurement of job satisfaction, measurement of effect of a training programme, advertisement programme, etc. It is better to have quantitative standards because they are measurable. However, today, there are many new techniques for measuring qualitative standards.

The standards should be as clear as possible. It should be easily understood by both superiors and subordinates. The responsibility of

each individual should also be clearly defined, i.e., everyone should be responsible for achieving a particular goal, objective, target, etc. For example, the marketing department fixes a standard – “We will sell 2,000 units of product X in one month”. So, here, the standard is 2,000 units.

## **2. Measuring the Actual Performances**

After establishing the standards, the subordinates should be provided with all the resources for performing the job. They should be properly directed and motivated to perform the job. Similarly, they should be properly supervised. If the subordinates come under Theory X, they require maximum supervision. However, if they come under Theory Y, then they require minimum supervision. After they complete the job, their performance should be carefully measured. There are many traditional and modern techniques for measuring the performances of subordinates.

For example, after one month, the marketing department sold only 10,000 units of product X. So, their actual performance is only 10,000 units.

## **3. Comparison**

The actual performances of the subordinates are compared with established standards, and then the deviations are found out. The deviations which are found out may be positive or negative.

Positive Deviation means that the actual performances are better than the established standards. Positive deviations should be appreciated.

Negative Deviation means that the actual performance is less than the established standards. The management should pay special attention to the negative deviation. They should find out the causes of negative deviations.

Generally, minor (small) deviations are ignored. However, major deviations should be immediately addressed and reported to the top management. PERT, Budgetary Control, Observation,

Inspection, Reports, etc. are some of the methods used for comparison.

For example, 10,000 units (Standard) – 9,000 units (Actual Performance) = 1,000 units (Negative Deviation).

#### **4. Corrective Action**

After finding out the negative deviations and their causes, the managers should take steps to correct these deviations. Corrective actions should be taken promptly. Corrective action may include changing the standards, providing better motivation, giving better training, using better machines, etc. The management should take essential steps to prevent these deviations in the future.

For example, the cause of the negative deviation was less advertising and untrained salesmen. So, the company must spend reasonable money on advertising and training.

#### **5. Follow-up**

After taking corrective action, the management must do a follow-up. Follow-up is done to find out whether the corrective actions are taken properly. It also finds out whether the deviations and their causes are removed. If follow-up is done properly, then the actual performance will be equal to or better than the established standards.

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

The management of any organisation must develop a control system tailored to its organization's goals and resources. Effective control systems share several common characteristics. These characteristics are as follows:

- 1. A Focus on Critical Points:** For example, controls are applied where failure cannot be tolerated or where costs cannot exceed a certain amount. The critical points include all the areas of an organisation's operations that directly affect the success of its key operations.

2. **Integration into Established Processes:** Controls must function harmoniously within these processes and should not bottleneck operations.
3. **Acceptance by Employees:** Employee involvement in the design of controls can increase acceptance.
4. **Availability of Information When Needed:** Deadlines, time needed to complete the project, costs associated with the project, and priority needs are apparent in these criteria. Costs are frequently attributed to time shortcomings or failures.
5. **Economic Feasibility:** Effective control systems answer questions such as, “How much does it cost?”, “What will it save?” or “What are the returns on the investment?” In short, comparison of the costs to the benefits ensures that the benefits of controls outweigh the costs.
6. **Accuracy:** Effective control systems provide factual information that’s useful, reliable, valid, and consistent.
7. **Comprehensibility:** Controls must be simple and easy to understand.

Important needs/essentials of an effective control system in management are:

1. **Objectives:** A system of control can work more effectively when it is based on the main objectives or goals of the organisation. It should be related to the persons. It becomes essential that the standards, which are set by the management should not be too high or too low. This should be told to the workers in time so that the standards can be judged with the actual performance.
2. **Suitability:** A business organisation should adopt such a system of control which suits its requirement.-There is no hard and fast rule and readymade system of control which give the correct and most favourable results in all types of organisations and in all circumstances.



- 3. Forward Looking:** The system of control should be forward looking which enables the managers to keep a control on operations in advance. Each and every deviation from the standards should be noted in time to take corrective action before the task is completed. This will avoid or minimise the deviation in future.
- 4. Feedback:** The success of a business depends on a system of control and for a systematic control, advance planning is needed. This advance planning should be based on actual accurate past information collected through investigation.

The control system should be such that it is based on past information and, which would also adjust if necessary to future actions.
- 5. Quick Action:** Management gets the information from various line managers or supervisors about the deviation in standards and these should be suggested to the planner to take a correct and quick action to avoid future wastage. Actually speaking, the success of control depends entirely on quick action and its implementation.
- 6. Directness:** In order to make the system of control more effective, it is necessary that the relation between the workers and management should be direct. It is quite obvious that if the number of line supervisors is less in the organisation, then workers would work effectively and objectives may be achieved in time because they will not take much time in getting the correct information.
- 7. Flexibility:** The system of control should be such that it accommodates all changes or failures in plans. If plans are to be revised due to change in its objectives, the system of control should also be adjusted to suit the changed circumstances.
- 8. Economy:** The system of control must be economical. In simple words, cost of the control system should not exceed its benefits. A system of control to be adopted by the organisation should be cheaper in terms of expenses.

9. **Regular Revision:** The system of control should be based on objective results, after proper technical and analytical studies. They must be revised regularly and kept to meet the objectives of the organisation.
10. **Active Participation:** All members in the organisation should participate in the effective implementation of the control system. This is only possible when each and every worker in the organisation is asked to take active part in the discussions and exchange views while selecting the system of control.
11. **Suggestive:** The control system should also be suggestive. A system which detects deviations only should not be held good, but should also tell the accurate and correct alternative.
12. **Competent and Talented Staff:** A system of control can work more effectively if it has talented and competent people to work in the organisation.

### Review Questions

1. What is directing? Explain its importance.
2. Define directing. Explain its principles.
3. Explain essential characteristics of a good control system.
4. Explain the various types of leadership styles.
5. Explain controlling. What are the steps in controlling?
6. What is coordination? Explain its importance.
7. Define coordination. Give its features.
8. Explain motivation. What are the factors affecting employee motivation?
9. Why is there a need to motivate the workforce?

### Objective Questions

1. Select proper option from the choices given below and rewrite the sentence.

1. \_\_\_\_\_ is the process of passing information from one person to another.  
(a) Communication (b) Leadership

- (c) Motivation
2. \_\_\_\_\_ involves supervision which is essential to make sure that work is performed according to orders and instructions.  
(a) Planning (b) Directing (c) Controlling
  3. \_\_\_\_\_ is to get things done by influencing their subordinates and seek their voluntary cooperation.  
(a) Organisation (b) Coordination (c) Leadership
  4. \_\_\_\_\_ is not a trait of good leader.  
(a) Anger (b) Flexibility (c) Empathy
  5. \_\_\_\_\_ leadership style consists of the leader sharing the decision making abilities with group members by promoting the interests of the group members.  
(a) Paternalistic (b) Autocratic (c) Democratic
  6. Appreciation and recognition are a part of \_\_\_\_\_ .  
(a) directing (b) motivation (c) leadership
  7. \_\_\_\_\_ encourages teamwork.  
(a) Planning (b) Controlling (c) Coordination
  8. \_\_\_\_\_ Standard cannot be easily defined and measured.  
(a) Qualitative (b) Quantitative (c) Evaluative
  9. A system of \_\_\_\_\_ can work more effectively if it has talented and competent people to work in the organisation.  
(a) friendship (b) control (c) security

**Ans: 1. Communication 2. Directing, 3. Leadership, 4. Anger  
5. Democratic, 6. Motivation, 7. Coordination,  
8. Qualitative, 9. Control**

**2. State whether the following statements are true or false.**

1. In the process of directing, the employees are given instructions and guidance to achieve a goal or objective.
2. Principle of Maximum Individual Contribution believes that there should be maximum employees appointed to do a given task.
3. The democratic leadership style consists of the leader sharing the decision making abilities with group members by promoting the interests of the group members and by practicing social equality.
4. If organisation wants motivated, high productive employees, it has to pay such people according to their ability and performance.
5. Coordination does not apply to individual activities.

6. Positive Deviation means that the actual performances are better than the established standards.
7. A system of control can work more effectively when it is based on the objectives or goals of the employees.
8. Motivated employees always look for better ways to change a job.

*Ans: 1. True 2. False 3. True, 4. True 5. True, 6. True, 7. False 8. False*

**3. Match the columns.**

Group A	Group B
1. Leadership	(a) Team spirit
2. Motivation	(b) Paternalistic
3. Controlling	(c) Instructing, guiding and communicating
4. Directing	(d) Producing higher quality work at a higher level of efficiency
5. Coordination	(e) Actual activities confine to planned activities

*Ans: 1.(b), 2 (d), 3. (e), 4. (c), 5. (a)*

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