Management – Nature and Scope

The work done in any place – be it a household, a business establishment, a Legislative Assembly or the Parliament, requires proper planning, organisation, direction, co-ordination and control. *Planning* helps to do the work in a systematic manner. *Organising* helps to mobilise the necessary resources and fix responsibilities on individuals. *Direction* helps to supervise and motivate people at work. *Co-ordination* establishes link between the various activities performed. *Control* helps us to know whether the plan has been successfully implemented and the objective laid down in the plan has been fully achieved.

Meaning of Management

Management is basically concerned with the performance of planning, organising, directing, co-ordinating and controlling, which, in fact, are its main functions. Management is also regarded as the art of getting things done through others. It is not possible for any individual to do all the work himself. The work is always shared with others. In a household, for example, the head of the house – the father earns for the family maintenance. The lady of the house manages the kitchen and so on. Similarly, in a bank there are different individuals to look after cash, savings bank account, fixed deposit, current account, recurring deposit account and so on. The overall control lies with the Bank Manager. Thus, it becomes clear that the work is assigned to many in any work place and responsibilities are fixed on them. The person assigning the work, *i.e.*, the manager, knows how to get things done through others, *i.e.*, subordinates. A manager who is unable to make his subordinates work cannot be a successful manager.

Definitions of Management

Management is the art of getting things done through people – **Mary Parker Follet.**

To manage is to forecast and plan, to organise, to command, to co-ordinate, and to control – **Henry Fayol.**

Management is what a manager does – **Louis Allen.**

Management is the process of getting things done through the agency of a community. The functions of management are the handling of a community with a view to fulfilling the purposes for which it exists – **Sir Charles Reynold.**

Management is simply the process of decision-making and control over the actions of human being for the expressed purpose of attaining predetermined goals – **Stanley Vance.**

Management is the art of knowing exactly what you want your men to do and then seeing that they do it in the best and the cheapest way – **F.W. Taylor.**

Management is a process of releasing and directing human energies towards attaining definite goal – **Wilson.**

Management is the process of optimising human, material and financial contributions for the achievement of organisational goals – **Pearce and Robinson.**

Management is the art of directing and inspiring people – **Mooney and Reiley.**

Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform efficiently and effectively towards the attainment of group goals. It is the art of getting the work done through and with people in formally organised groups – **Koontz and O'Donnel.**

Nature of Management

An analysis of the nature of management will bring out the following salient features:

1. It is a Universal Activity – Management is relevant in every sphere of activity. It has relevance not only in business but also in household work, in army, in governmental activities and so on. The work can be done in a more systematic manner with the application of the techniques of management. The material and human resources can be effectively handled and the goal can be attained with maximum efficiency. For example, a student who has to prepare for his board exam can either study at random or prepare in a systematic manner. In the latter case, the level of performance is bound to be much more superior to that in the former case.

2. It is goal oriented – Management focuses attention on the attainment of specific objectives. For example, a business may aim for a particular level of sales. This can be achieved in an effective and efficient manner by adopting the techniques of management. By making a proper forecast of the sales, by planning production, by fixing targets for the salesmen and by properly co-ordinating all the activities, the targeted level of sales can be achieved.

3. It is an intellectual activity – The practice of management requires application of mind and intelligence. Management does not accept the hit or miss approach to work. Every work needs to be properly planned and executed. The necessary resources have to be acquired. Work has to be assigned to different individuals and responsibilities have to be fixed on them. Proper co-ordination of activities is essential. For example, in a manufacturing unit, production, finance and marketing are the important activities performed. Separate departments are established to look after these activities...

independent, it has to work in proper co-ordination with the other departments. Only then, the overall objective of the business can be achieved. Finally, the success of the plan must be verified. Thus, it becomes clear that without applying mind and intelligence, it is not possible to practise management.

4. It is a process – Management is essentially a process consisting of various stages/functions. Planning is the starting point of management and control is its last stage. In between there are other functions like organising, directing and co-ordinating. Each of these functions will have to be done in the sequential order. Control, for example can be done only at the end. Organising cannot precede planning.

5. Management is both a Science and an Art – The practice of science needs knowledge of the theory as well as the formulae. On the otherhand, the practice of art requires skill. Management is a social science. It focuses attention on the behaviour of individuals and groups. It does not believe in the methodology alone. Sometimes, theoretical knowledge may not help. In such a situation, the skill of the manager will come to his rescue. For example, if the workers in a factory demand more pay and threaten to go on strike if their demand is not conceded, the skill of the factory manager will help to avert the strike more than his theoretical knowledge. Thus, it becomes clear that to be a successful manager, one needs to have a strong theoretical background plus skill.

6. It is a social process – As mentioned in the previous point, management deals with the behaviour of individuals and groups. In a work place individuals work as a team. The behaviour of an individual is bound to be different while he is part of a group. For example, an individual worker may be forced to join a strike programme because the union, of which he is a member, has taken the decision to go on strike. The behaviour of the individual, is thus, influenced by the group to which he belongs. Such a group may be a formal group like the trade union or an informal group based on friendship and other personal relationships. A marketer, similarly, will study the behaviour of the consumers.

7. It adopts an integrated approach – The goal of an individual employee and that of his organisation must synchronise. In practice, it may not. A worker, for example, may be wasting his time during working hours and may not realise that such an attitude on his part will prove to be detrimental to his organisation. Similarly, an employee may be regularly coming late for work and may give certain unacceptable reasons. *Management practice* will reconcile the individual goals with those of his organisation.

8. It is an on -going activity – Management is a continuous process. A stage will not be reached where one can say that management is irrelevant. Planning, organising etc., have unlimited use. Management will exist as long as there are human activities.

9. It is intangible – Management is invisible. It cannot be seen. But it can be felt. The significance of management will become clear if a comparison is made between the performance of a person working at random and the performance of the same individual working in a more systematic manner.

10. Management is a Profession – Like Medical, Law and Engineering, Management has also come to be recognised as a profession. A person who has obtained his M.B.A (Master of Business Administration) from one of the Premier Institutes of Management in India like the Indian Institute of Management Ahmedabad, Bangalore, Kolkata and so on will be recognised as a Management Professional. He can provide consultancy services to businessmen on such areas as Marketing, Personnel or Finance depending upon his area of specialisation.

11. It is a Factor of Production – Management is also considered as a factor of production just like land, labour, capital and enterprise. Management, in fact, gets an even more prominent place because it has to properly combine and co-ordinate all other available resources.

Distinction between Administration and Management

Although the terms 'Administration' and 'Management' may appear to be similar, they are actually different. In our daily conversation we use the two terms interchangeably. Administration is concerned with laying down suitable policies for the whole concern whereas management will simply execute these. Administrators are the owners of the business. Managers, on the other hand, are the salaried employees of the concern. The basic difference between administration and management is highlighted by means of a popular diagram which is given below:

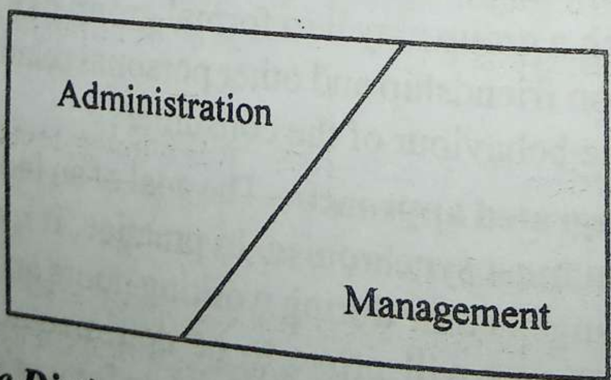

Figure 1.1 - Basic Distinction between Administration and Management
Administration - Top level Function;
Management - Lower Level Function

9. Performance of control – It is necessary for every business to find out whether what has been planned has been achieved at the end of the plan period. If the goal has not been fully realised, it becomes necessary to find out the causes that have contributed to the shortfall in performance. In other words, the deviations from the target need to be measured. Corrective action needs to be taken so that no such problem arises in future. Performance of control is also an important task of the manager.

10. Fulfilment of social obligations – Every business is part and parcel of the society. The business derives all the benefits from the society and therefore, it owes certain duties towards the various sections of the society, namely, the shareholders, the creditors, the consumers, the employees, the competitors and the Government. Management also focuses attention on the social obligations of every business.

Levels of Management

Three levels of management have been recognised by management experts. These are:

1. Top Management
2. Middle Management and
3. Supervisory or Lower Management

Top Management	**Middle Management**	**Supervisory Management**
Board of Directors	Production Manager	Office Manager
Chairman	Finance Manager	Foremen
Managing Director, etc.	Marketing Manager, etc.	Supervisors, etc.

Figure 1.2 - Levels of Management

Top Management – It consists of the Board of Directors, the Chairman, the Managing Director and so on. The functions of the top management are as follows:

(i) To lay down the basic objectives of the business.

(ii) To frame major policies for the business.

(iii) To organise the business into different departments for the efficient attainment of the enterprise goals.

(iv) To appoint departmental heads and review their performance.

(v) To represent the business outside, particularly in discussing business problems with the Government, trade

Middle Management – It consists of the Heads of all the Departments like the Production Manager, the Finance Manager, the Marketing Manager and so on. It also includes the deputy managers in all the departments. The functions of middle management are as follows:

(i) Formulation of suitable policies at the departmental level.

(ii) Production, Finance, Marketing and Sales planning and control.

(iii) Periodical review of performance.

(iv) Interaction with the subordinate staff.

Supervisory or Lower Management – It consists of such individuals as the foremen, office manager, supervisors, etc. The supervisory management is concerned with the following functions:

(i) To plan the day-to-day work.

(ii) To assign work to all the employees and undertake supervision.

(iii) To monitor the performance of the employees.

(iv) To send periodical reports to the middle level managers.

FUNCTIONS OF MANAGEMENT

The various functions of management – Planning, Organising, Staffing, Directing, Co-ordinating and Controlling have been discussed briefly hereunder:

PLANNING

The first and the foremost function of management is planning. Planning is deciding in advance what should be done in future. It helps to work in a systematic manner. With proper planning of the activities of the enterprise, it is possible to make an optimum use of the available resources. Planning focuses on the objectives of the business. Weekly and monthly targets are set for all and this avoids work pressure particularly towards the end of the plan period. Plan provides the basis against which the actual performance can be measured.

Planning eliminates the tendency to work at random. It determines the priorities of the business and tells what should be done first, what next and so on. The basic nature of planning may be stated as follows:

(i) It is goal-oriented.

(ii) It is an intellectual activity.

(iii) It is the primary function of management.

(iv) It is all pervasive, *i.e.*, present at all levels.

(v) It is a continuous process.

(vi) It is forward looking.

The process of planning consists of the following stages:

(i) Analysing the environment.

(ii) Collection and analysis of the necessary information.

(iii) Determination of objectives.

(iv) Knowledge of the planning premises or assumptions.

(v) Knowledge of the alternative courses of action.

(vi) Evaluation of the alternative courses of action.

(vii) Selecting a particular course.

(viii) Preparation of derivative plans.

(ix) Participation of the subordinate staff.

(x) Devising a mechanism of continuous evaluation.

Plans may be of two types – Single-use plans and Repeated-use plans. Programmes and Budgets are examples of single-use plans. Objectives, Policies, Procedures, Rules and Strategies are examples of repeated-use plans.

ORGANISING

After planning comes the organising function of management. Organising is the process of bringing together the necessary resources for the accomplishment of the objectives of the enterprise. Men, machines, materials and money are the resources necessary for any organisation. Organising is also concerned with the grouping of the activities of the enterprise into various types, e.g., production, marketing and so on. Each such group will be called a department. Each department will be headed by a manager. The manager will be assisted by an assistant manager. There will be a number of subordinates in every department to whom the manager will assign some work. The subordinates will be given certain authority to carry out the work assigned to them. They are answerable to their superiors on the work done by them.

The characteristics of organising may be stated as follows:

(i) It is concerned with the accomplishment of the enterprise goal.

(ii) It divides the total work into different parts for better performance. This is known as division of labour.

(iii) It provides for authority-responsibility relationships.

(iv) Its activities depend totally on a suitable system of communication.

(v) Delegation of authority by a superior to his subordinate is another notable feature of organisation.

(vi) Answerability or accountability on the part of a subordinate to his superior for the work done is also an important charac[teristic of organisation]

The following steps are involved in the process of organisation:

(i) Identification of the activities to be performed for the accomplishment of the organisational goal.

(ii) Grouping of activities into departments or divisions based on their nature.

(iii) Assignment of duties to the subordinates by the superiors.

(iv) Delegation of authority by the superiors to their subordinates to enable the latter to carry out the task.

(v) Creation of accountability to make the subordinates answerable for the use of authority.

STAFFING

The staffing function of management is concerned with the performance of the following activities:

(i) Recruitment and selection of employees

(ii) Training

(iii) Wage and salary administration

(iv) Performance appraisal

(v) Employee transfer, promotion, demotion and termination.

Every organisation must employ the right number and the right kind of employees to do various jobs. If more employees are employed than the required number, the cost of operation will be more. Moreover, the potentials of the employees cannot be fully utilised. On the other hand, if the number of employees employed is less than the required number, it is not possible to cope with the volume of work. Therefore, it becomes necessary to have the right number of employees at any given point of time.

Recruitment of employees may be done from internal as well as external sources. Transfer from branches having surplus staff, promotion etc., are some of the internal sources of recruitment. Newspaper advertisements, employment exchanges, campus interviews, etc., are some of the external sources of recruitment. Once the source of recruitment is finalised, the next step is to complete the selection process by holding tests and interviews.

The selected candidates need to be trained to enable them to perform their jobs effectively. There are on-the-job and off-the-job training methods. Determination of the correct remuneration for the employees and payment of financial incentives are also part and parcel of the staffing function. The performance of the employees must also be periodically appraised or evaluated so as to know whether they are efficient and effective.

Employees become eligible for promotion based on their experience, merit and performance. Employees are also liable for transfer from one branch to another or from one place to another if their service conditions so provide. The employees who have not shown good performance or are found to be showing negligence may be demoted (sent to a lower position from the present position). The services of inefficient employees may also be terminated. All these activities are performed under staffing in management.

DIRECTING

The directing function is concerned with the following activities:

(i) Undertaking supervision.

(ii) Issuing orders and instructions pertaining to work.

(iii) Proper communication relationship between the management and the employees.

(iv) Leadership – to guide employees.

The manager has to supervise the work done by the employees. He must offer help when needed. This will be possible only if the manager has the right number of employees/subordinates under him. If a manager/superior is asked to supervise more subordinates than the optimum number, he will not be able to do his work effectively. On the other hand, if fewer subordinates are placed under a superior, his potentials cannot be fully utilised. It, therefore, becomes necessary to determine accurately the optimum number of subordinates a manager can control. This is what is known as 'Span of Control' or 'Span of Management'.

The manager often has to give orders and instructions to his subordinates pertaining to their work. This will not be possible without proper communication. Communication may be oral as well as written. It may be formal and informal. Formal communication takes place when the organisational hierarchy is strictly adhered to while conveying information. Here, the superior – subordinates relationship is not ignored. Informal communication, on the other hand, ignores the organisational structure or hierarchy. The information may be received from any individual.

Leadership is yet another integral part of the directing function. Leadership is the ability of a manager to induce his subordinates to work towards the common goal. A leader is supposed to possess certain qualities as mentioned below:

(i) Physical fitness

(ii) Mental vigour

(iii) Sense of judgement

(iv) Ability to motivate

(v) Communication skill, etc.

Leadership styles are of different types as stated below:

(i) Autocratic
(ii) Democratic
(iii) Laissez Faire
(iv) Functional
(v) Institutional, and
(vi) Paternalistic

CO-ORDINATING

Although the activities performed by the various departments in an enterprise are different, all such activities are directed towards the attainment of the overall business objective. The finance department provides finance, the purchase department buys raw materials, the production department produces goods and the marketing department undertakes marketing and sales to enable the business to achieve its goal. The activities of the various departments are inter-dependent. For example, the production department will be able to produce only if the purchase department buys the necessary raw materials at the right time. The purchase department will be able to buy only if the finance department provides the necessary funds. It, therefore, becomes necessary to establish link between the various activities performed by these different departments. This is done by the co-ordinating function of management.

Co-ordination may be achieved by means of any of the following ways:

(i) Planning
(ii) Rules and procedures
(iii) Sound organisation – proper use of hierarchy
(iv) Effective communication
(v) By having Liaison officers
(vi) By setting up a task force comprising representatives from the interacting departments
(vii) Creation of a separate co-ordination department.

CONTROLLING

If planning is 'looking ahead', controlling is 'looking back'. Control enables a business enterprise to know whether the plan has been successfully implemented and its goal has been achieved. The process of control involves the following stages:

(i) Establishment of standards
(ii) Measurement of actual performance

Chapter 2

Contributions of Experts to Management Thought

Many experts have made significant contributions to the growth of management over centuries. The contributions of some of the renowned management thinkers have been given in this Chapter.

F. W. Taylor (1856 – 1915)

He is called the *father of Scientific Management* for his scientific approach to solve management problems. He started his career as a machinist in a small concern in the U.S and by his hard work, he could go up to the level of the chief engineer in the same concern within a short span of time. During his period of work, Taylor found that the workers were performing below their capacity. Ignorance of the workers and the management on the best ways of doing the work and the use of the trial and error or the rule of thumb method contributed to wastage and inefficiency. Taylor conducted several experiments to replace the hit or miss approach by a scientific method.

According to Taylor, management is 'the art of knowing exactly what you want men to do and seeing that they do it in the best and cheapest way'. His ideas on scientific management were brought out as a book titled 'Principles of Scientific Management' in the year 1911.

Important aspects of Scientific Management

The following are the important features of Taylor's Scientific Management:

1. *Replacement of thumb rule method by a scientific one:* In scientific management, the standard time required for doing any work is determined. A worker will be considered efficient only if he does the work within the standard time. The working environment will be provided on scientific lines. The tools, the materials used, the methods used, etc., are all standardised. Thus, there is absolutely no scope for the hit-or-miss approach.

2. *Scientific selection, placement, training and development of workers:* Scientific management provides for the selection of the right man for the right job. Placement of workers will be done based on their capabilities. Training enables the workers to perform their duties with maximum efficiency.

3. *Harmonious relationship between the workers and the management:* Scientific management enables efficient workers to earn more as payment is linked

to output. As the management is also benefited as a result of increased output, there exists harmonious relationship between the workers and the management.

4. *Co-operation between the workers and the management and between workers:* Management can expect higher profits only if the workers work with maximum efficiency. The workers will be benefited only if the management recognises their efficiency and comes forward to reward them suitably. Scientific management, therefore, contemplates absolute co-operation between the workers and the management. Co-operation between the workers is also of paramount importance as the work done by them is inter-related and inter-dependent.

5. *Maximum and not restricted output:* For the management maximum output would mean greater profits and lower cost of production. Greater output enables the workers to earn more remuneration. Thus, both the management and the workers are interested in maximising production under scientific management.

Techniques of Scientific Management

The following are the important techniques of Scientific Management:

1. Work Study
2. Scientific task planning
3. Scientific selection, placement and training of workers
4. Standardisation and simplification
5. Mental revolution

Work Study

Works study aims at improving efficiency. Under Scientific Management, the amount of work an average worker can do under standard working conditions is objectively determined. This is referred to as the 'fair-day's work'. In determining the fair day's work, the following studies are used:

(i) Time Study
(ii) Motion Study
(iii) Methods Study
(iv) Fatigue Study

The objective of conducting the *time study* is to determine the 'standard time' needed to perform every job. For this, the various elements associated with the job are identified and the time taken to perform each such element is recorded.

Motion study is conducted to know the movements of workers from one place to another during working hours to perform their work. The idea is to identify and eliminate unnecessary and wasteful movements.

Methods study aims at determining the most appropriate method of doing any job.

Fatigue study determines the amount of physical and mental exhaustion caused to the workers by the performance of the task assigned. The idea is to provide for interval breaks when necessary so that the workers would not feel tired.

Scientific Task Planning

It lays down production targets and ensures their attainment. It ensures quality of output. Lower costs of production, specialisation, optimum use of resources, sales maximisation, etc., are the other objectives of scientific task planning. The implementation of the production programme will involve the following stages:

(i) *Routing* – concerned with the sequence of production operations

(ii) *Scheduling* – prescribes deadlines for each work

(iii) *Dispatching* – concerned with issuing orders to carry out the work

(iv) *Feedback* – helps to check whether the work has been done as planned

Scientific Selection, Placement and Training of Workers

Taylor wanted the right man to be appointed for the right job in every work place. The task of finding the right man should be entrusted only to specialists. A number of tests should be conducted to find out whether the candidate possesses the required qualities. Taylor also stressed the need to train the workers in specific areas to secure good performance. In the absence of such a training, the workers would only learn by trial and error and this would result in loss for the business.

Standardisation and Simplification

Under Scientific Management the product, the materials used for its manufacture, the tools and equipment used, the methods used, quality, time and the working conditions are all standardised. Standardisation ensures uniformity and promotes efficiency.

Mental Revolution

Even during the days of Taylor, the problem confronting both the management and the workers was regarding the division of surplus. Taylor contemplated mental revolution on the part of both the management and the workers on two issues –

(i) To work sincerely towards increasing the size of the surplus instead of quarrelling over sharing the surplus and

(ii) To adopt the scientific method of work in place of the thumb-rule method.

Taylor's Differential Piece Rate System

Taylor wanted the remuneration payable to workers to be linked to their output. He came out with a piece rate system called the 'differential piece rate system'. Under this system, two rates would be prescribed for the workers – one

...kers not attaining the standard output and ... to those attaining or exceeding the standard ... rate is Rs.1.50 per unit and the higher rate is Rs.2 ... output is 10 units, a worker producing 8 units will ... another producing 12 units will get Rs.24 as

... the factory work, Taylor suggested a system of ... system, there will be eight persons of whom ... planning department, four in the factory and ... ordination.

... production planning department are called

... to determine the sequence of operations to be

... he will prepare the necessary instructions ... accordingly the workers will perform their

... will frame the time-table for doing the various ... necessary cost records.

... the factory will be identified by the following

... to keep all the materials and tools ready so that ... work without any delay.

... that each job is done well in time.

... all the tools and machines in the factory in

... ensure that the work is done in accordance with ... the planning department.

... the seven persons mentioned above, Taylor ... the name 'Disciplinarian'.

... Management

... demerits of Taylor's Scientific Management:

... approach.

... each work. This prevents go-slow tactics.

... of tools, methods, working conditions,

... more.

a lower rate applicable to those workers not attaining the standard output and the other a higher rate applicable to those attaining or exceeding the standard output. For example, if the lower rate is Rs.1.50 per unit and the higher rate is Rs.2 per unit and the standard output is 10 units, a worker producing 8 units will receive Rs.12 as remuneration and another producing 12 units will get Rs.24 as remuneration.

Functional Foremanship

For a better performance of the factory work, Taylor suggested a system of functional foremanship. Under this system, there will be eight persons of whom three will work in the production planning department, four in the factory and one person to secure proper co-ordination.

The persons who will work in the production planning department are called by the following names:

(i) *Route Clerk* – his job is to determine the sequence of operations to be performed in any work.

(ii) *Instruction card Clerk* – he will prepare the necessary instructions pertaining to the work and accordingly the workers will perform their duties.

(iii) *Time and Cost Clerk* – he will frame the time-table for doing the various jobs. He will also keep the necessary cost records.

The persons who will work in the factory will be identified by the following names:

(i) *Gang Boss* – his duty is to keep all the materials and tools ready so that the workers can start their work without any delay.

(ii) *Speed Boss* – he will ensure that each job is done well in time.

(iii) *Repair Boss* – he will keep all the tools and machines in the factory in perfect working condition.

(iv) *Inspector* – his duty is to ensure that the work is done in accordance with the standard laid down by the planning department.

To co-ordinate the work of all the seven persons mentioned above, Taylor wanted another person who is given the name 'Disciplinarian'.

Evaluation of Taylor's Scientific Management

The following are the merits and demerits of Taylor's Scientific Management:

Merits

1. It eliminates the hit-or-miss approach.
2. It prescribes standard time for each work. This prevents go-slow tactics.
3. It provides for standardisation of tools, methods, working conditions, etc. This promotes efficiency.

Demerits

1. There is a feeling among workers that Scientific Management forces them to work to their maximum capacity and this will have an adverse effect on their health.
2. As everything is standardised, the workers do not have any scope for showing initiative.
3. The scheme of functional foremanship separates planning from doing and this has also come to be criticised.

Scientific Management of Taylor has been appreciated by many management thinkers of his time and it has also got him a unique place among the pioneers of management.

Henry Fayol (1841-1925)

Henry Fayol was a French engineer and industrialist. His contribution to management was brought out as a book in French titled "Administration Industrielle et Generale" in the year 1916 and was later translated into English. The English version was given the title "General and Industrial Management" and was published in 1949.

The contributions of Fayol have been discussed under the following headings:

1. Classification of business activities,
2. Managerial qualities and training,
3. General principles of management and
4. Elements of management.

Classification of business activities

Fayol classified business activities into six groups as given below –

(i) *Technical* (concerning Production),

(ii) *Commercial* (involving buying, selling and exchange),

(iii) *Financial* (search for and optimum use of capital),

(iv) *Security* (protection of property and persons),

(v) *Accounting* (costing and statistics) and

(vi) *Managerial* (planning, organising, commanding, co-ordinating and controlling).

Managerial Qualities and Training

Fayol prescribed certain qualities a manager should possess to be effective. These are –

(i) Physical – health and vigour.

(ii) Mental – to understand and learn.

(iii) Moral – energy, firmness, willingness to accept responsibility, initiative, loyalty, tact and dignity.

(iv) General education – general acquaintance with matters not belonging exclusively to the functions performed.

(v) Technical – peculiar to the functions performed.

(vi) Experience – from work.

General Principles of Management

Fayol developed 14 basic principles of management. These are –

1. Division of Work
2. Authority and Responsibility
3. Discipline
4. Unity of Command
5. Unity of Direction
6. Subordination of Individual Interest to Group Interest
7. Remuneration of Personnel
8. Centralisation
9. Scalar Chain
10. Order
11. Equity
12. Stability of Tenure of Personnel
13. Initiative
14. Esprit De Corps

These principles have been explained below:

1. **Division of Work** – By this we mean that the total work to be done is divided into small parts, each entrusted to a particular individual. To consider an example, the making of a shirt involves a number of activities to be carried out like cutting the cloth, stitching, button stitching, ironing, etc. All these activities will be performed by different individuals and not by one person under division of labour/work. As each individual performs only a particular activity, he becomes a specialist in due course.

2. **Organising** – It is concerned with the provision of everything that is needed to fulfil the objective of the enterprise, namely, raw materials, tools, equipment, staff, etc. The resources necessary must be adequately available. Fayol also favours unity of command, proper co-ordination and control, clear definition of duties, initiative and minimum paper work.
3. **Command** – The manager, according to Fayol, shall strive to get optimum return from all his subordinates. The manager will be able to perform his duties effectively only if he has intimate knowledge of his staff, leadership qualities and the capacity to identify and motivate efficient employees.
4. **Co-ordination** – Linking the activities of the various departments of a business is what is known as co-ordination. The activities of one department affect those of another department. For example, purchase of machinery depends upon the availability of finance. If only the finance department makes available the necessary funds, the production department can get the machinery it requires. To secure proper co-ordination, every individual and department shall work with proper understanding with others.
5. **Control** – The need for control arises due to the fact that the business will be interested in knowing the success or failure of the plan. Control reveals the weakness of the plan and the problems encountered in its implementation. This enables the management to take necessary corrective action.

Fayol's principles of management are very popular among management thinkers. There is, however, a criticism that he has not paid adequate attention to the needs of the workers.

Elton Mayo (1880-1949)

Elton Mayo was the leader of the team that conducted the famous Hawthorne Experiments. These experiments were conducted at the Hawthorne plant of Western Electric Company in Chicago, U.S.A. Mayo was a professor of industrial psychology at the Harvard Business School. 'The Human Problem of an Industrial Civilisation', 'Management and Morale', 'The Social Problems of an Industrial Organisation' are some of the books brought out by Mayo.

The Hawthorne Experiments were conducted in four stages. These are given below:

1. **Illumination Experiments** – The main objective of the illumination experiments was to study the effect of the quality of lighting in the workroom on the efficiency of the workers. For this purpose, the workers were divided into two groups. One group of workers was made to work in a room where lighting remained constant. The other group was made to

4. An individual in a group is accepted as its leader by the other members. Such an informal leader is able to guide and influence the co-workers.
5. What encourages a worker more is the feeling that his views and suggestions are heard by the management.

Criticism of Hawthrone Experiments

The following are some of the criticisms of the Hawthorne Experiments:

1. The study is confined to a particular company. The findings, therefore, lack universal applicability.
2. The study has considered only the internal environment and has ignored the external environment completely.
3. There was no basis for the selection of the workers, the physical environment, etc. The study, therefore, was unscientific.
4. The view that satisfied workers produce more output has also not been accepted.
5. Undue importance has been given to social factors like affection, sense of belonging etc., in determining the quantum of output. The fear of loss of job in the event of a deliberate attempt to restrict output must also be there in every worker.

Douglas McGregor (1906-1964)

McGregor, an American, was a professor of management. His book titled 'The Human Side of Enterprise' is popular even today. He developed the famous 'X Theory' and 'Y Theory' on motivation.

Theory X adopts a negative approach towards workers. It assumes that workers dislike their work basically and are not ambitious and creative. It further says that satisfaction of basic needs alone is important for most workers and that the workers need to be closely supervised while at work.

Theory Y, on the other hand, is positive in its approach. It assumes that if the work environment is proper workers will enjoy doing their work. If the workers are properly motivated, they will certainly come forward to accept responsibility. Workers can also be creative and satisfaction of basic needs alone is not their priority. Close supervision is not necessary when the workers are doing their work. They can exercise self-control.

Theory X and Theory Y are popular even among the contemporary managers.

Mary Parker Follett (1868-1933)

She started her career as a social philosopher in the U.S. She provided solutions to business concerns on the personnel problems they faced. 'The New State', 'Creative Experience' and 'Business Management as a Profession' are some of her books. The following are the contributions of Follett to management thought:

1. Conflicts among members over any organisational issue can be beneficial. For this, individual differences must be integrated to form a new opinion that satisfies everyone. The members must work in co-operative spirit to achieve their conflicting desires.
2. It is also necessary that the organisational members understand the situation and accordingly act. Follett is not in favour of the idea of one person giving orders to another. According to her, both the individuals must act together as per the situation.
3. A leader shall not act as an autocrat. He must encourage group activity in order to achieve the common goal.
4. Under the normal organisational structure, the final authority lies with the chief executive. But Follett is of the view that every individual should have the final authority for the task he carries out.
5. Effective co-ordination is necessary to achieve organisational goals. All efforts must, therefore, be made to secure co-ordination.

Frank Gilbreth and Lillian Gilbreth

The husband and wife team has made a significant contribution in the area of application of scientific methods of doing work in industry. Mr.Gilbreth was keen on the idea of finding the one best way of doing work. This led the team to the task of finding the best available worker, the best method, the best surroundings, the best tools and equipment and so on.

The contributions of Mr. Gilbreth and Mrs. Gilbreth may be stated as follows:

1. The team in association with F.W. Taylor conducted the 'motion study' the aim of which is to reduce the wasteful movements of workers during working hours. This was done using several new techniques like process charts, symbols and so on.
2. To reduce fatigue (tiredness), Gilbreth conducted the fatigue study that suggested rest intervals and improved working conditions for employees.

Chester Barnard

He was the president of the New Jersey Bell Telephone Company. He was also associated with many philanthropic and government organisations. 'The Functions of the Executive', 'Organisation and Management' are among his publications.

The contributions of Barnard are given below:

1. An organisation is a social system in which co-operation among the members is of paramount importance. The members of the organisation should be able to communicate effectively with one another. There must be a common purpose behind the organisational activities. The members must be willing to contri

2. Barnard recognises both formal and informal organisations. According to him, formal organisation has consciously co-ordinated interactions among the members so as to attain the common goal. Informal organisation, on the other hand, has social interactions among the members without a focus on the common organisational goal.
3. The formal organisation should provide for specialisation, incentives to induce people to work harder, a system of authority in order to make the subordinates accept the decisions of the executives.
4. The executive should maintain a system of communication in the organisation. He must be able to secure performance from individuals.
5. Authority is exercised by the communication of orders by a superior to his subordinate. The subordinate, therefore, should be able to understand the communication. He must be convinced that what has been conveyed is in tune with the organisational goal. Organisational interests and the personal interests of the subordinate must synchronise. The subordinate should also be able to comply with the proposal both physically and mentally.
6. Financial rewards cannot satisfy all. Pride of workmanship, pleasant organisation, participation, sense of belonging, opportunity for power etc., can motivate subordinates better.
7. The organisational equilibrium, which is dynamic, depends upon the individuals working both within and outside the organisation and the society at large. Such an equilibrium can be achieved not only through logical appraisal but also through intuition and belief.
8. Barnard also feels that an executive will be able to be effective only if he possesses a high degree of leadership qualities.

Peter F. Drucker

Peter Drucker is known for developing the famous concept of MBO (Management By Objective). The contributions of Drucker to management may be explained as follows:

1. Drucker considers management as important for all types of organisations. He lays emphasis on the practice of management. He believes in performance and results.
2. Economic results are important to justify the existence of management. The work done in any enterprise must be productive and the worker must be made to achieve. The management must also be conscious of its social impact *i.e.*, it has to realise its social responsibilities.
3. Drucker is of the view that the purpose of business is to create a customer. Profit, no doubt, is necessary but it cannot be the only goal of business.

Planning

Meaning

The first and the foremost function of management is planning. Simply stated, *planning is deciding in advance what should be done*. It is future oriented. To attain its goal of profit maximisation, the business has to produce and sell goods. Its yearly production and sales targets are broken into weekly and monthly targets by proper planning. This makes it possible to work systematically. The logic of planning can be better explained with another example. A student, who has to write his University exams in the month of April, may prepare a plan to revise his lessons, subject wise, according to a particular order. This will certainly help him not only to prepare well for his exams but also to get good marks.

Organising, staffing, co-ordinating and controlling, which are the other important functions of management, succeed planning. The basic objective of planning is to work in a systematic manner so that the goal of the enterprise can be achieved with maximum efficiency. Planning eliminates the tendency to work at random.

Definitions of Planning

Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. It bridges the gap from where we are to where we want to go – **Koontz and O'Donnell.**

Planning is a mental predisposition to do things in orderly way, to think before acting and to act in the light of facts rather than guess – **Urwick.**

Planning is deciding the best alternative among others to perform different managerial operations in order to achieve the predetermined goal – **Henry Fayol.**

Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives – **M.E. Hurley.**

Planning is a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change – **McFarland.**

Planning is the process of thinking through and making explicit the strategy, actions and relationships necessary to accomplish an overall objective or purpose – **Cleland and King.**

2. Medium-term Planning – It is also known as *tactical planning*. The period covered by the medium-term plan is usually 1 to 5 years. Such a plan may be necessary in the following cases –

(i) Making additions to an existing plant.

(ii) Expanding output from its present level.

(iii) Appointment of additional staff to cope with the volume of work, etc.

3. Short-term Planning – The period of the short-term plan is less than one year. It is also known as *operational planning*. Such a plan may relate to any of the following matters:

(i) Purchase of raw materials.

(ii) Arranging for employee training.

(iii) Provision of certain amenities for the staff with the available funds, etc.

Methods of Planning

Plans, based on their nature and scope, are classified under two categories as shown below:

Methods of Planning

Repeated Use Plans

1. Objectives
2. Policies
3. Procedures
4. Rules and
5. Strategies.

Single Use Plans

1. Programmes and
2. Budgets.

Figure 3.1 - Methods of Planning

Repeated Use Plans – It refers to those plans that are used again and again. They provide guidelines pertaining to activities that occur frequently over a period of time. The various repeated use plans have been discussed below:

Objectives

Objectives are also known by certain other names – aims, goals, targets, missions, etc. All the activities of an enterprise are directed towards its objective. Objective is the destination point or the end point of the endeavours made by the staff of an organisation. It gives focus to the work done at different levels.

Although profit maximisation is considered to be the ultimate objective of any business, the following objectives are also considered important:

(i) A higher market share
(ii) Customer satisfaction
(iii) Innovation
(iv) Cordial management-labour relationships
(v) Greater productivity
(vi) Cost control
(vii) Favourable employee attitudes
(viii) Product diversification, etc.

Accomplishment of objectives depends on whether they have been stated in precise terms. Objectives, when stated quantitatively, can be realised better. Qualitative statement of objectives only leads to ambiguity and confusion. Let us consider certain examples –

(i) To ensure proper motivation of employees.
(ii) To be socially responsible.
(iii) To achieve maximum customer satisfaction, etc.

It may be easy to set objectives such as these. But what is difficult is to find out whether such objectives have been fully realised or not. On the other hand, if objectives are stated in monetary terms, it is easy to ensure their accomplishment. The following may be given as examples –

(i) 20 per cent return on investment.
(ii) 10 per cent reduction in operating cost.
(iii) 15 per cent increase in sales, etc.

Importance/Advantages/Merits of Objectives

The importance of objectives may be explained as follows –

1. Objectives give focus to the activities of an organisation. In the absence of specific objectives, there will be a tendency to work at random.

4. Objectives must be supported by suitable policies, procedures, programmes and strategies as accomplishment of objectives depends on the existence of these.

5. It is also necessary to make objectives flexible. Rigidity in objectives may not work, as the situation prevailing each time is different. For example, the same level of production and sales may not be maintained during periods of boom and economic recession.

Policies

A policy serves as a valuable guide to those individuals who have to make certain important decisions in the course of accomplishment of the business objectives. Policies provide ready answers to questions pertaining to certain issues. They prescribe the limits within which the organisational decisions have to be made. The policy of an organisation regarding employee promotion, for example, may indicate the criterion for promotion – whether 'seniority' or 'merit' or both. Certain business houses follow a policy of producing goods only for the foreign market. Their products are not meant for the indigenous buyers.

Essentials of a good policy

1. A policy should not be vague. It should be clear and definite. It should not give any scope for misinterpretation.
2. As every policy of an organisation influences its image, it is important that the policy is sound and logical.
3. It is also important that the policy conforms to the ethical or moral values of the society in general and the business in particular.
4. The policy should be fair and do justice to one and all in the organisation. It should not be prepared to favour unduly certain individuals.
5. There should not be two policies pertaining to the same issue. This will result in duplication.
6. Policies should be reviewed and revised periodically so that they will remain up-to-date and also relevant. However, frequent amendments will affect consistency.

Factors determining policy-making

Several factors influence the formulation of policies. The important ones are given below:

1. The beliefs and values of the owners of business.
2. Government regulations.
3. Availability of funds.
4. Technology to be adopted.
5. Market trends.

Evaluation of Policies – Merits of Policies

The following are the merits of policies:

1. Policies guide managers in taking decisions.
2. They save time by providing a ready solution to certain key organisational problems.
3. They ensure consistency in decision-making.
4. Policies enable managers to take bold decisions. This is possible as the manager does not incur any personal liability on the decision. He can say that it is only the organisational policy which has led to the decision.
5. Policies also prevent the managers from misusing their authority by prescribing the limits beyond which their actions cannot go.

Limitations of Policies

The limitations of policies are given below:

1. Policies cannot provide solutions to all organisational problems. Political and economic conditions in the country too cause certain problems for the businessman.
2. Policies only provide guidelines for decisions and do not provide an instant solution to any organisational problem.
3. It is necessary to review any policy periodically. Policies too tend to become outdated with the efflux of time.
4. Policies are not a substitute for human judgement. The manager cannot blindly apply any policy under any given situation. He has to use his sense of judgement to decide the extent to which the policy has to be applied.
5. Policies do not allow the managers to think originally. Creative thinking on the part of the managers can provide better answers to any organisational problem than what ready-made policies can.

Procedures

A procedure will lay down the manner in which certain work has to be performed. It prescribes the sequence of operations to be carried out to complete a given task. Procedures are laid down in a business organisation to carry out a number of activities like purchase of rawmaterials, selection of employees, payment of salary to staff, execution of sales orders and so on.

Evaluation – Merits of Procedures

The merits of procedures may be stated as follows:

1. Procedures prescribe the sequence of operations to be performed to finish a certain task.
2. They facilitate systematic performance of the work.

Decision-Making

Meaning

Decision-making is the process of selecting one alternative from among a number of alternatives available. The need for decision-making will arise only when there are options. If there is only one way of doing a task, there is nothing to decide. For example, a business enterprise that wants to buy a machinery may find several models of the machinery. As it can buy only one model, it has to decide which model to buy. It will select the best model by examining the merits and demerits of all the alternative models and will select the one that offers maximum benefits.

Given below are some of the important decision-making situations in a business organisation:

1. The source of buying raw materials.
2. The source of recruitment of employees – Whether internal or external.
3. The market for the products of the business – Whether local, national or international market.
4. The criterion for employee promotion – Whether seniority or merit or both.
5. The method of promoting sales – Whether by advertisement, personal selling, sales promotion or publicity.
6. The medium of advertisement – Whether newspapers, radio or television.

Definitions of Decision-Making

According to **Haynes and Massie**, 'Decision-making is a process of selection from a set of alternative courses of action which is thought to fulfil the objective of the decision-problem more satisfactorily than others'.

In the words of **George Terry**, 'Decision-making is the selecting of an alternative, from two or more alternatives, to determine an opinion or a course of action'.

Allen defines Decision-making as 'the work a manager performs to arrive at conclusions and judgement'.

Andrew Szilagyi says, 'Decision-making is a process involving information, choice of alternative actions, implementation, and evaluation that is directed to the achievement of certain stated goals'.

Organisation – Nature and Scope

The word 'organisation' has come from the word 'organism' which means a structure of interrelated and interdependent parts. The parts or components of organisation consist of men, machines, materials, methods, money, functions, authority and responsibility. The task of organisation is to unite or integrate these components effectively for the purpose of attaining the common goal.

Definitions

Some of the important definitions on organisation, given by eminent persons, are as follows:

1. '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' – **Allen.**
2. 'Organisation embraces the duties of designing the departments and the personnel that are to carry work, defining their functions and specifying the relations that are to exist between departments and individuals' – **Kimball and Kimball.**
3. 'Organising involves the establishment of an intentional structure of roles through the determination of the activities required to achieve the goals of an enterprise, the grouping of these activities, the assignment of such groups to a manager, the delegation of authority to carry them out, and provision for co-ordination, horizontally and vertically, in the organisation structure' – **Koontz and O'Donnel.**
4. 'Organising is the establishing of effective authority relationship among selected work, persons, and work places in order for the group to work together efficiently' – **G.R. Terry.**
5. 'Organisation means the complete pattern of communications and other relations in a group of human being. This pattern provides to each member of the group much of the information, assumptions, goals and attitudes that enter into his decision, and provides him also with a set of stable and comprehensible expectations as to what the other members of the group are doing, and how they will react to what he says and does' – **Simon.**
6. Organisation is the structural framework of duties and responsibilities required of personnel in performing various functions within the company – **Wheeler.**

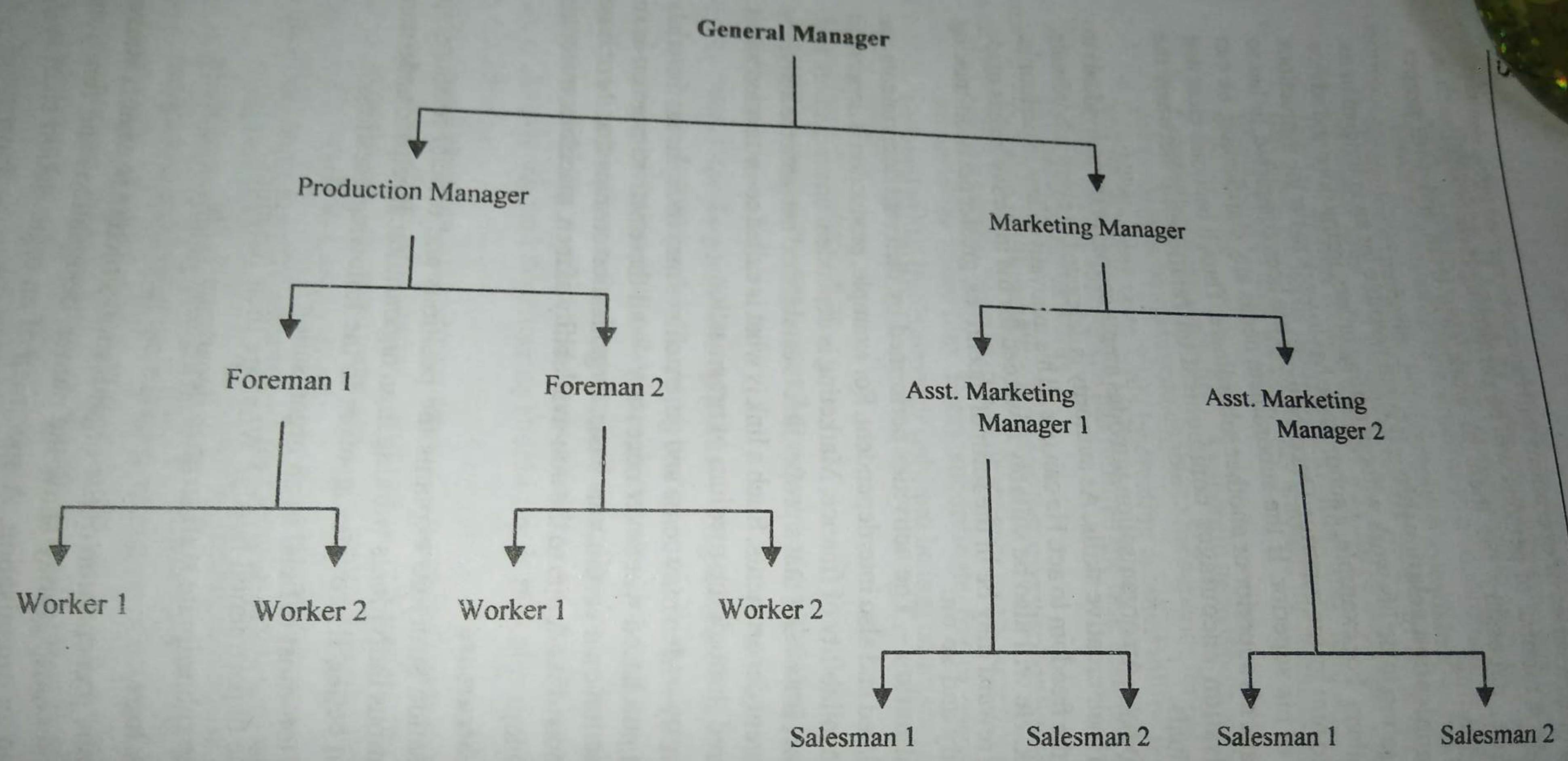

Figure 5.1 - Organisation Chart

Evaluation of the Modern Organisation Theory

The modern organisation theory studies the organisation as a whole. It is a macro-level study. It is based on the systems approach and therefore, it is adaptive and dynamic. The limitation of the theory is that it is not a single theory but a combination of several theories like *systems theory, contingency theory, decision theory* and so on.

Types of Organisation

Of the various types of organisation, the following ones are very popular:

(i) Line Organisation,

(ii) Line and Staff Organisation,

(iii) Functional Organisation,

(iv) Committee Organisation,

(v) Project Organisation and

(vi) Matrix Organisation.

Let us now discuss each one of these in detail.

Line Organisation

The line organisation, also known as the 'Military Organisation', is the oldest form of organisation. In such an organisation, the superior at the top makes decisions and communicates his decisions and assigns certain work to his immediate subordinate. The subordinate, in turn, makes certain decisions, within the scope of his authority, and assigns certain work to his own subordinate and so on.

There is a vertical downward flow of authority and an upward flow of responsibility in such an organisation. As the military is organised in this fashion, the line organisation is given the name military organisation. The concept of line organisation may be explained by means of a diagram:

Chapter 6

Delegation and Decentralisation

Meaning of Authority

'Authority' is the official right of a person to do and make things happen in an organisation. The person vested with authority is known as the 'Superior'. The person on whom the authority is exercised is known as the 'Subordinate'. Authority gives the superior the right to give orders, make decisions and allocate resources. Authority comes to the superior by virtue of his official position.

Power

The term 'Power' may appear to be similar to authority. Power is the capacity of a person to act and influence others. It does not come to a person by reason of his official position. A person gets power by virtue of his intelligence, knowledge, skill and other personal traits.

Distinction between 'Authority' and 'Power'

The distinction between authority and power may be stated as follows:

Authority	Power
1. It is the official right of an individual.	1. It is the capacity of an individual.
2. It accrues to a person by virtue of his official position.	2. It accrues to a person by virtue of his personal position which is determined by his intelligence, knowledge, skill and other personal qualities.
3. It can be transferred by the process of delegation.	3. Power, being the personal capacity of an individual, cannot be transferred to anyone.

Departmentation

Meaning

'Departmentation' is the process of dividing and grouping the activities and employees of an enterprise into departments. The total work of an enterprise is divided into functions and sub-functions. Later, these are grouped together to form different departments.

In a manufacturing concern, the total work may be divided into the following functions:

(i) Purchase
(ii) Production
(iii) Marketing
(iv) Personnel; and
(v) Finance.

Each of these functions will be entrusted to different departments. For example, the production department will look after production and related matters; the marketing department will look after marketing and other related matters and so on.

The activities normally performed by the different departments in a business enterprise may be stated as follows:

1. **Purchase Department** – (i) Purchase of raw materials.
   (ii) Maintenance of necessary records pertaining to materials.
   (iii) Stores control, etc.
2. **Production Department** – (i) Manufacture.
   (ii) Quality control.
   (iii) Plant maintenance, etc.
3. **Marketing Department** – (i) Determination of sales targets.
   (ii) Appointment of dealers and distributors.
   (iii) Advertisement and Sales Promotion.
   (iv) Monitoring the performance of salesmen, etc.

Supervision

Meaning

The process of overseeing the subordinates at work is what is known as supervision. It is undertaken to ensure that the subordinates work as per the plans and policies of the organisation. Supervision involves face-to-face contact between the supervisor and his subordinates.

Supervision is undertaken at all levels of management. Top management (consisting of Board of Directors, Managing Director and General Manager) supervises the work of the middle-level managers (consisting of the heads of the various departments). The middle-level managers supervise the work of the supervisory staff (consisting of the foremen, superintendents and others). The supervisory staff, in turn, supervises the work of the operating workers. *Supervision is part of direction.*

Definitions of Supervision

Supervision refers to the direct and immediate guidance and control of subordinates in the performance of their tasks – **Wytels.**

Supervision is achieving of the desired results by means of the intelligent utilisation of human talents – **G.R. Terry.**

Supervision is the function of assuring that the work is being done in accordance with the plan and instructions – **R.C. Davis.**

The following are the important activities of a supervisor:

(i) To assign work to the subordinates

(ii) To review the quality and quantum of work done by the subordinates and

(iii) To instruct, induce and inspire his subordinates to perform better.

Qualities of a Good Supervisor

In order to perform his duties effectively, a supervisor is expected to possess the following qualities:

1. Knowledge of the Organisation – The supervisor is expected to know the following about his organisation:

(i) He must first of all be familiar with the organisational policies, rules and regulations.

(ii) He must be aware of the structure of the organisation.

Chapter 15

Communication

Meaning

The word 'communication' has been derived from the Latin word 'communis' which means common. Communication, thus, is the process of sharing facts, ideas and opinions in common. Communication is said to take place when an individual conveys some information to another.

The person conveying or sending the information is called the 'sender' or the 'communicator' and the person receiving the information is called the 'receiver' or the 'communicatee'. The information conveyed is known as the 'message'. The act of conveying the message is called 'transmission'. The reaction of the receiver to the message is what is called 'response'.

Definitions of Communication

Given below are some of the important and interesting definitions of communication:

Communication is the process of passing information and understanding from one person to another – **Haimann.**

Communication is the sum of all the things one person does when he wants to create understanding in the minds of others – **Allen.**

Communication is the exchange of facts, ideas, opinions or emotions by two or more persons – **Newman and Summer.**

Communication is the transfer of information from one person to another whether or not it elicits confidence but the information transferred must be understandable to the receiver – **G.C.Brown.**

Communication is an intercourse by words, letters, symbols or messages, and is a way that one organisation member shares meaning and understanding with another – **Koontz and O'Donnell.**

Communication is the intercourse by words, letters or messages, intercourse of thoughts or opinions – **F.G.Meyer.**

Communication is the process of conveying messages (facts, ideas, attitudes or opinions) by one person to another so that they are understand – **M.W.Cummin.**

15.2

Nature of Communication

The following characteristics of communication explain its nature:

1. **Two-way process** – Communication can take place only when there are at least two persons. One person has to convey some message and another has to receive it. The receiver, however, need not necessarily be an individual. Information may be conveyed to a group of persons at a time. For example, in a classroom, the teacher conveys information to a group of students. If the receiver needs any clarification, he can ask the sender of message immediately in the case of face-to-face or telephonic conversation. Communication may also be sent by means of letters, circulars etc. If a letter is sent, the receiver may respond to it either by way of a reply letter or as per the mode desired by him or by the sender.

2. **Knowledge of language**– For communication to be successful, the receiver should first of all understand the message. For this, the sender must speak in a language that is known to the receiver. For example, if the receiver cannot understand English and the sender of message conveys his ideas in English, the communication will be a failure.

3. **Meeting of minds necessary** – The receiver must understand the message in the way the sender wants him to understand. For this consensus is required. Consensus is nothing but identity of minds. If weekly target announced by a supervisor is misunderstood by a worker as monthly target, there is lack of consensus. Inattention, poor vocabulary, faulty pronunciation etc., may result in lack of consensus.

4. **The message must have substance** – The message has substance only if the receiver shows interest in the subject matter. In other words, the sender of message must have something really worthwhile for the receiver. For example, if certain botanical names are explained to a student learning commerce, he may not show any interest.

5. **Communication may be made through gestures as well** – Communication need not necessarily be made orally or in writing. Certain gestures or actions may also convey one's willingness or understanding of a given problem. Nodding of heads, rolling of eyes, movement of lips etc., are some of the gestures normally used to convey certain ideas.

6. **Communication is all-pervasive** – Communication is Omni-present. It is found in all levels of management. The top management conveys information to the middle management and vice versa. Similarly, the middle management conveys information to the supervisory staff and vice versa. There is flow of communi[...] place.

Imp

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7. **Communication is a continuous process** – In any workplace someone will be conveying or receiving some information or the other always. Sharing or exchanging information is an on going activity. As long as there is work – personal, official or unofficial, there will be communication.
8. **Communication may be formal or informal** – Formal communication follows the hierarchy – the official channel established. For example, if a worker wants to convey any information to the production manager, he can do so only through the foreman. He cannot bypass the foreman and have direct contact with the production manager. Informal communication does not follow the official channel. It allows any individual to convey information to anybody else freely without having to bother about the hierarchy.

Importance of Communication

The importance of communication is explained below:

1. **Helps in planning** – Communication helps to prepare better plans for the enterprise. The views and suggestions of the employees, clients, suppliers etc., are received and the same are incorporated in the enterprise plans.
2. **Vital for decision-making** - The information necessary for decision-making is made available through proper communication. For example, a decision on production is made after receiving information from the stores on the stock of materials available and from the marketing department on the extent of demand.
3. **Facilitates delegation** – Delegation of authority by a superior to his subordinates will not be possible without proper communication. The superior must first of all assign work to his subordinates and give them the requisite authority to carry out their duties. This cannot be done without effective communication.
4. **Facilitates effective leadership** – As a leader, the manager will be able to guide his subordinates well only through proper communication. When the subordinates have work-related problems, they have to necessarily approach their superior for assistance. If the manager is a man of few words, he will not be able to offer much help.
5. **Helps to motivate** – Assignment of work and delegation of authority alone will not be enough to get things done by the subordinates. They need to be constantly motivated to perform well. It is the duty of the manager to induce and instigate their subordinates to do their best. This will not be possible without proper communication.
6. **Helps in co –ordination** – Although the activities performed by different individuals and departments are different, they are directed towards the attainment of the enterprise goal. It is, therefore, necessary that there

Types of Communication

Communication may be classified into the following types:

1. Based on Relationships – (i) Formal and (ii) Informal.
2. Based on its Flow of Direction – (i) Upward, (ii) Downward and (iii) Sideward.
3. Based on the Method used – (i) Oral, (ii) Written and (iii) Gestural.

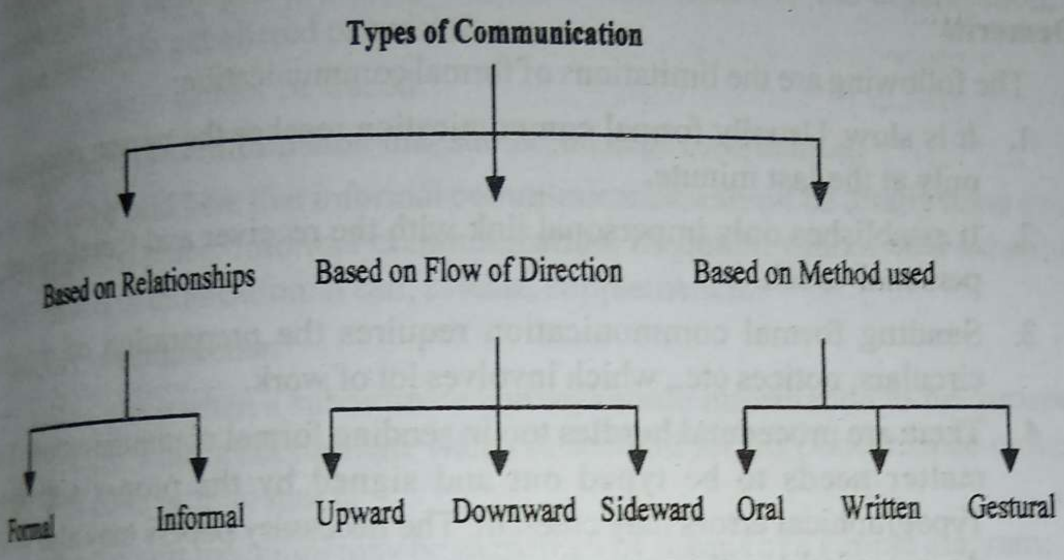

Figure 15.1 - Types of Communication

Formal Communication

It is the outcome of formal organisation. It follows the hierarchy. Policy manuals, orders, circulars, notices, etc., are some of the examples of formal communication. Certain circulars may be sent to the heads of departments alone while others may be sent to all the employees of the concern. Certain notices may be displayed in the official notice board.

Any information that officially reaches an employee is known as formal communication.

Features of Formal Communication

1. It follows the hierarchy (the scalar chain).
2. The information is always authentic.
3. It is always in written form.
4. It is binding on the receiver.
5. Proof of receiving the information is obtained.

Chapter 16

Motivation

Meaning

The important task before every manager is to secure optimum performance from each of his subordinates. The performance of the subordinate, in turn, is determined by his ability to work and the extent to which he is motivated. Motivation is the process of inducing and instigating the subordinates to put in their best. Motivation is influenced significantly by the needs of a person and the extent to which these have been fulfilled. To motivate the subordinates, the manager must, therefore, understand their needs.

The term 'motivation' has been derived from the word 'motive'. Motive is the urge, need, want or desire that induces a person to work.

Definitions of Motivation

The following are some of the important definitions of motivation given by eminent management thinkers:

1. Motivation means a process of stimulating people to action to accomplish desired goals – **W.G. Scott.**
2. Something that moves the person to action and continues him in the course of action already initiated – **Robert Dubin.**
3. Motivation is the process of attempting to influence others to do your will through the possibility of gain or reward – **Edwin B. Flippo.**
4. Motivation is a general inspirational process which gets the members of the team to pull their weight effectively to give their loyalty to the group to carry out properly the tasks that they accepted and generally to play an effective part in the job that the group has undertaken – **E.F.L. Brech.**
5. Motivation refers to the way in which urges, drives, desires, aspirations, strivings or needs direct, control or explain the behaviour of human beings –**McFarland.**

It is clear from the above definitions that motivation is the process of generating enthusiasm among the subordinates so that they work to their maximum potentials in order to achieve the goals of the enterprise.

Fulfilment of the Need

Need fulfilment depends mainly on the credentials and performance of the employee. The management will be keen to regularise the service of a new recruit if he has proved himself in the training period. Likewise, if an employee has served the organisation for a considerable period of time and has a good record of performance, the management should come forward to grant him promotion.

Discovery of New Need

As mentioned earlier, man is a wanting animal. When one need is fulfilled, another will appear in its place. A new recruit, whose service has been regularised by the management, may start thinking of promotion and other career advancement benefits. To attain the same, he has to equip himself as per the rules of the concern.

Financial and Non-Financial Incentives

Incentives are nothing but the inducements provided to employees in order to motivate them. These may be of two types:

(i) Financial incentives and

(ii) Non-financial incentives.

Financial incentives involve money payments by the employer – either directly or indirectly. Higher wages and salaries, bonus, profit-sharing, commission, increment etc., are direct financial incentives. Provision of high quality furniture, subsidised food, separate telephone, air-conditioner, water cooler etc., are examples of indirect financial incentives.

Non-financial incentives do not involve money payments. These are also important in motivating employees. These are:

1. **Job security** – Nothing can motivate a worker, appointed temporarily, better than provision of job security. Even if a temporary worker puts in greater efforts, lack of job security will always pose a threat. If such a worker is given job security, he will be ever grateful to the management.
2. **Challenging work** – Workers, who are dynamic in nature, do not show preference for routine jobs. They are always ready to accept challenging assignments. It is, therefore, the duty of the employer, to understand the capabilities of every individual in the organisation and accordingly assign him work. If a conservative person is given a job that requires a dynamic approach, he may not have any motivation to take it up. On the other hand, if a dynamic person is given a routine job, he too would not feel induced.
3. **Recognition** – It is important that the employer recognises hard work. Even a word of appreciation from him would motivate the employees to maintain the same level of performance or do even better. Recognition

need not necessarily be in the form of tangible benefits to employees. It may be any gesture from the employer which should come at the right time.

4. **Better designations** – The designation of an employee is yet another motivating factor. Employees do show preference for certain designations. A salesman, for example, would like to be designated as a sales executive.
5. **Opportunities for advancement** – There should never be a stagnation point for any employee during the prime time of his career. The employer must always provide opportunities for his employees to perform well and move up in the hierarchy.
6. **Participation in decision-making** – Another non-financial incentive that stimulates any employee is his involvement in certain crucial decisions. For example, if the management decides to buy a new machinery for the factory, the workers' viewpoints may be secured before making the final decision. The management should avoid unilateral decisions on such matters.
7. **Competition** – The management can encourage healthy competition among the employees. This would, certainly, motivate them to prove their capabilities. The management can also rank the employees according to performance. Such of those employees who have performed very well may be given merit certificates.
8. **Job rotation** – By job rotation we mean that the employees will be exposed to different kinds of job. This certainly would break the monotony of employees. For example, in a bank an employee may work in the Savings Bank Section for sometime after which he may be posted to the cash section. Such a change not only motivates the employee to perform well but also prepares him to be versatile.

Theories on Motivation

Many experts have developed different theories on the concept of motivation. Popular ones are given below:

1. Maslow's Need Hierarchy Theory.
2. McGregor's X and Y Theories.
3. Ouchi's Z Theory.
4. Herzberg's Two-Factor Theory.
5. McClelland's Need Theory.
6. Vroom's Expectancy Theory.

Each of these theories has been discussed in detail below:

Maslow's Need Hierarchy Theory

Abraham H. Maslow, a psychologist, developed a theory called the 'Need Hierarchy Theory'. It is one of the oldest theories on motivation. Maslow was of the view that human behaviour is directed towards the satisfaction of certain needs. He classified human needs into five categories and arranged the same in a particular order as given below:

(i) Physiological Needs
(ii) Safety Needs
(iii) Social Needs
(iv) Self-actualisation Needs and
(v) Esteem Needs.

Maslow regarded the first three (Physiological, Safety and Social Needs) as 'lower order needs' and the remaining two (Self-actualisation and Esteem Needs) as 'higher order needs'.

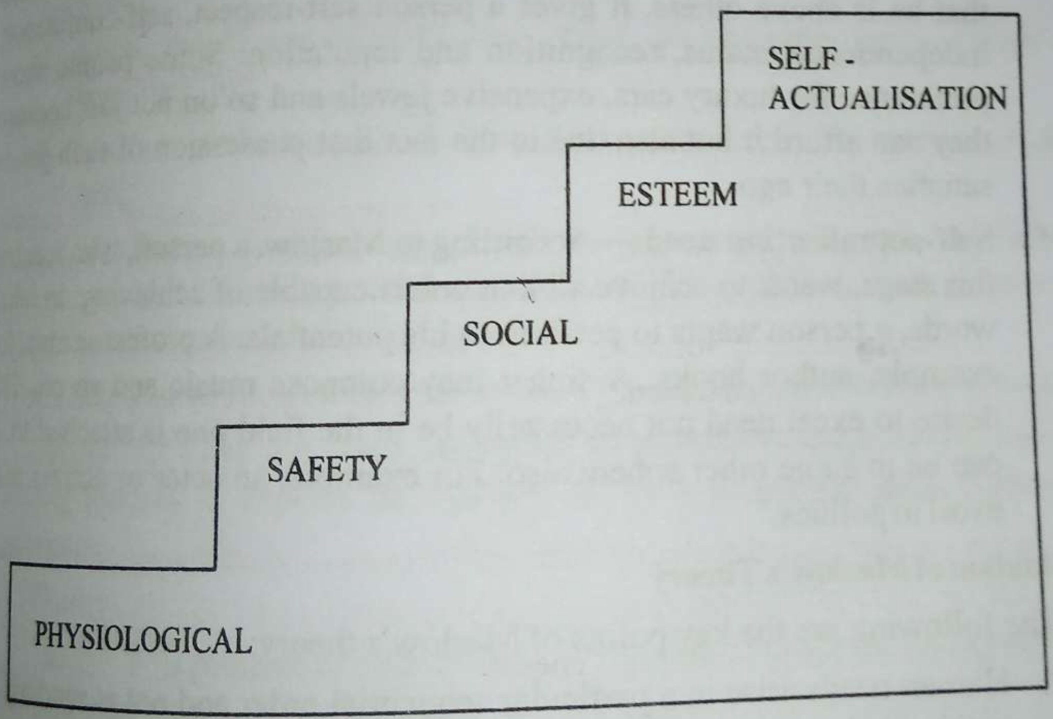

Figure 16.1 - Maslow's Hierarchy of Needs

1. **Physiological needs** – These are the primary or the basic needs of a person that must be fulfilled. These include, among others, food, clothing and shelter that are vital for the survival of mankind. A person cannot think of recognition or status when he is not able to earn adequately to satisfy his basic needs.

Leadership

Meaning

A leader is a person who guides and directs others, called followers. He gives focus to the efforts of his followers. The manager, as a leader, influences his subordinates to indulge in such activities as are vital for the accomplishment of the enterprise goal. According to **Allen**, "a leader is one who guides and directs other people. He must give effective direction and purpose".

Leadership is a force that binds a group together and motivates it towards the desired goals.

Definitions of Leadership

Given below are some of the important definitions of leadership:

1. Leadership is the ability of a manager to induce subordinates to work with confidence and zeal – **Koontz and O'Donnell.**
2. Leadership is the ability of a superior to influence the behaviour of his subordinates and persuade them to follow a particular course of action - **Chester Barnard.**
3. Leadership is the activity of influencing people to strive willingly for mutual objectives – **George R. Terry.**
4. Leadership is the process by which an executive imaginatively directs, guides and influences the work of others in choosing and attaining specified goals – **Theo Haimann.**
5. Leadership is a process of influence on a group in a particular situation at a given point of time and in a specific set of circumstances that stimulates people to strive willingly to attain organisational objectives – **James Gibbon.**

It is clear from the above definitions that leadership is the act of guiding and directing the subordinates in order to attain the desired goal.

Qualities of a Leader

To be a successful leader, a person is expected to possess the following qualities:

1. *Ability to analyse* – The leader must be able to analyse any problem and offer an immediate solution. He should be alert mentally.
2. *Emotional stability* – The leader must not make decisions influenced by emotions. He has to approach any problem intellectually and find a solution.
3. *Self-confidence* – A person cannot be a successful leader if he lacks self-confidence. If he has confidence in himself, he will be able to overcome resistance from anyone for his proposals.
4. *Foresight* – The leader must foresee what is likely to happen. He must be able to visualise the future events and prepare his followers to meet challenges.
5. *Sense of judgement* – The leader must be able to judge what is good under the given circumstances. Only then he will be able to evolve certain practical decisions.
6. *Understanding* – The leader must not always thrust his views on his followers. He must also listen to their viewpoints particularly while making decision in a critical situation.
7. *Mental courage* – The leader must be capable of taking certain bold decisions. For this he must have mental courage. He need not play safe by just endorsing the decisions of others.
8. *Capacity to motivate* – Needless to say, the leader must be able to induce and motivate his followers to work for the mission he has undertaken.
9. *Ability to guide* –The leader will be able to guide his followers in the work process only if he himself is well versed in the actual work.
10. *Communication skills* – Successful leaders are always known for the communication skills. Such skills are essential to direct the followers to work for attaining the desired goal. Moreover, the leader will always be able to defend himself if he possesses good communication ability.
11. *Sociability* – The leader should not be indifferent to the needs of his followers. As his followers work wholeheartedly for fulfilling his mission, the leader has the duty to reciprocate. If any follower has certain personal problems, the leader must do his best to help him. The leader must make himself accessible to his followers.
12. *Sound physical health* – The leader must possess robust physical health. Mental health, no doubt, is important, physical health is equally important. If only the leader has sound physical health, he will be able to work for his mission with endurance. He will be able to travel extensively and also speak for hours only if he has good physical health.

7. *Settlement of disputes* – The leader has the duty to amicably settle any dispute between him and his group members and also among the group members. He can always use his position to resolve any crisis.
8. *Role-model* – The leader must set an example to his followers. He must practise what he preaches. He must say what he does and do what he says. He must be such a person that his followers always want to emulate him.
9. *Inseparable from the group* – The leader must so lead his followers that he and his group must be considered as one and the same. He must be seen as a symbol of the group.
10. *Answerability* – The leader becomes accountable or answerable not only for his actions but also for those of his followers.
11. *Adherence to Value system* – The leader must have certain values and beliefs and must adhere and also make his followers adhere to the same.

Different kinds of Leadership Styles

The following are the different kinds of leadership styles that have been identified:

(i) Autocratic
(ii) Democratic
(iii) Laissez Faire
(iv) Functional
(v) Institutional and
(vi) Paternalistic

Let us discuss each one in detail.

Autocratic Leader

An autocratic leader wants his subordinates to work in the manner he wants. He tells them what they should do, where, when and how. He does not let his followers offer any suggestion. He specifies the goal, makes available the resources that he thinks are enough and sets the deadline within which the subordinates will have to complete the task. The subordinates have to report to him at regular intervals to show the progress of work.

The autocratic leader thinks that his followers are incapable of making decisions. To secure performance from his subordinates, he may use coercive power. A subordinate, who performs as per the specifications of the leader, is rewarded while the one who fails to perform is punished. The punishment may be in the form of fines, suspension, transfer, demotion or dismissal.