

MANAGEMENT CONCEPTS

UNIT – I: Nature and Scope of Management – Management as a Science, an Art or a Profession – Process – Levels of management – F.W.Taylor's Scientific Management – Fayol's Theory of Management.

UNIT – II: Planning – Process – Types of Plans – Objectives, Policies, Procedures, Rules, Strategies, Programmes and Budgets – Decision making – Process of decision making – Types of decision – Problems involved in decision making.

UNIT- III: Organizing – Concept – Organization as a process – Elements of Organization process – Types of organization- Span of Control – Delegation – Centralization – Decentralization.

UNIT – IV: Staffing – Functions – Process – Selection – Recruitment – Training. Direction – Concept – Elements of Directing – Principles of Direction – Process of Directing.

UNIT – V: Co-ordination – Controlling – Need and importance – Process – Characteristics of an ideal control system – Budgetary Control.

TEXT BOOK RECOMMENDED:

Principles of Management – L.M. PRASAD; Management Principles – T.RAMASAMY

BOOKS FOR REFERENCE:

1. Principles of Management – SHERLEKAR S. A.; 2. Business Management – DINKAR PAGARE; 3. Principles of Management – TRIPATHI AND REDDY; 4. Essentials of Management – KOONTZ AND O'DONNELL

Management: (*Man-Age-Ment*)

- The act, manner, or practice of managing, handling, supervision, or control, management of a crisis, management of factory workers.
- The person or persons who control or direct a business or other enterprise.
- Skill in managing; executive ability.

Who Is A Manager? A manager is a person responsible for the work performance of group members.

Definitions: General management and measurement of IT costs, operations, efficiency and effectiveness and its impact on the organization.

- Management is an art or technique of getting things done.
- Management is a process of planning, organizing, staffing, directing and controlling.
- Management is a distinct activity of any organization.
- Management is a discipline, which represents a body of knowledge.
- Management denotes a group of people.
- The group of individuals who make decisions about how a business is run.
- The initiation and maintenance of an investment portfolio.

According to the management guru Peter Drucker, the basic task of a management is twofold: marketing and innovation.

Management is the art of getting things done with people and through informally organized groups. It is the art of creating an environment in which people can perform as individuals and yet cooperate towards attainment of groups goals. It is the art of removing blocks for such performance a way of optimizing efficiency in reaching goals. - Koontz.

Management is creative problem solving. This creative problem solving is accomplished through four functions of management - planning, organizing, leading and controlling. The intended result is the use of an organization's resources in a way that accomplishes its mission and objectives.

Management may be defined as the art of applying the economic principles that underline the control of men and material in the enterprise under consideration. - Kimball and Kimball.

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

This basic of

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

Features of Management:

- Universal process.
- Management makes things happen.
- An integrative process.
- Management is multi-faced discipline.
- Dynamic functions.
- Management is a science and an art.
- Social process.
- Intangible force.

Nature of Management: (Characteristics)

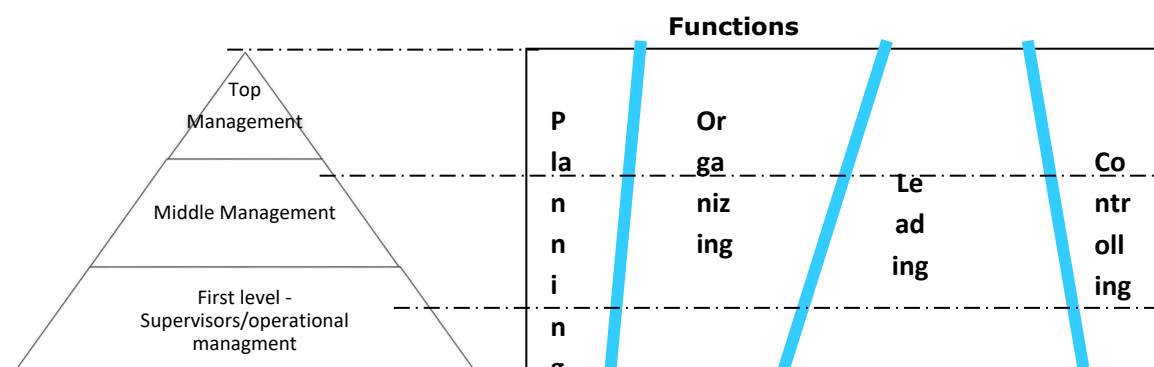
- Management is getting things done.
- Management is intangible.
- Management is an activity.
- Management is a profession.
- Management is a group activity.
- Management is a science and an art.
- Management is a universal activity.
- Management is dynamic.
- Management is purposeful.
- Management involves decision-making.
- Management is a process.
- Management applies economic principles.
- Management is an integrating process. (men, machines and materials)
- Management is concerned with direction and control.

Functions of Management

According to C.S. George, "The management process is not a series of separate functions which can be performed independently, it is a complete process made up of these ingredients."

According to Henri Fayol, "To manage is to forecast and plan, to organize to command, to coordinate and to control."

Luther Gullick coined the word 'PODSCORB' to describe the functions of management. Each letter of this word denotes the initial letter of a management function. Thus 'P' stands for planning 'O' for organizing, 'D' for directing, 'S' for staffing, 'CO' for coordinating, 'R' for reporting, and 'B' for budgeting. Of these, reporting is covered by the controlling function and budgeting is a part of planning.



Planning: A plan is a list of actions arranged in whatever sequence is thought likely to achieve an objective. Planning is a process of setting goals, developing strategies, and outlining tasks and schedules to accomplish the goals. The process of planning thus involves the following activities:

- a. Laying down objectives
- b. Evaluation of various alternatives and formulation of a plan
- c. Developing planning premises
- d. Searching alternative courses of action
- e. Formulating policies and procedure
- f. Preparing schedules, programmes and budgets

Organizing: "Organizing is the act of rearranging elements following one or more rules".

Louis A. Allen, "Organization is the process of identifying and grouping the work to be performed and dividing it among the individuals and creating authority and responsibility relationship" among them for the accomplishment of objectives."

Organizing, in company's point of view, is the management function that usually follows after planning. And it involves the assignment of tasks, the grouping of tasks into departments and the assignment of authority and allocation of resources across the organization.

Organizing is the process of establishing relationships among the members of the organization. This relationship is created in the form of authority and responsibility. The process of organizing thus involves the following activities:

- a) Identifying the activities involved in achieving the objectives
- b) Grouping the activities into a logical pattern
- c) Assigning the activities to employees
- d) Delegating authority and fixing responsibility
- e) Coordinating the authority-responsibility relationships of various activities.

Staffing and Directing: Staffing involves finding the right people, with the right skills, abilities, and fit, who may be hired or already working for the company (organization) or may be working for competing companies.

According to Harold Koontz and Cyril O'Donnell, "The managerial function of staffing involves manning the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed in the structure." Staffing function, thus involves the following:

- a) Manpower planning, i.e. determining the number and the kind of personnel required
- b) Recruitment of personnel
- c) Selection of the most suitable personnel
- d) Placement and orientation of employees
- e) Training and development of employees
- f) Proper evaluation of employees
- g) Transfer, promotion, termination, and layoff of employees

According to George R. Terry, "Directing means moving to action and supplying stimulative power to the group." Directing thus involves issuing instructions (or communication) to subordinates, guiding, motivating and supervising them.

Controlling: Controlling is the process of seeing whether the activities; have been performed in conformity with the plans. It helps the management to get its policies implemented and to take corrective actions if performance is not in accordance with the planned objectives.

According to E.F.L. Brech, "Controlling is the process of checking actual performance against the agreed standards with a view to ensuring satisfactory performance." The process of controlling thus involves the following:

- a) Determination of standards for measuring work performance
- b) Measurement of actual performance
- c) Comparing actual performance with the standard
- d) Finding variance between the actual and the standard and the reasons for the same Taking corrective action to ensure attainment of objective.

Management an Art or Science or a Profession

As an Art: Art may be defined as "the technique of applying the principles to actual practice so as to achieve the desired results with efficiency." It is concerned with the application of knowledge and skills. If science is learnt, an art is practiced. Thus, an art has the following features:

- It demotes personal skills.
- It helps in achieving concrete results.
- It signifies practical knowledge.
- It is creative in nature.

The principles and techniques of management when applied in the organization to achieve its objects become 'Art'. In this manner, management is also an art on account of the following reasons:

- It uses know-how and skills.
- Its direction is towards the accomplishment of concrete results.
- It creates new situations needed for further improvement.
- It is personalized because the success of management task is related to the personality of the manager.

From the above discussion, it is clear that management is both a science and an art. It is considered a science because it has an organized body of knowledge. It is called an art because managing requires certain skills. Science teaches one 'to know' and an art 'to do' hence science and art are complementary. A manager is a scientist as well as an artist. As a scientist, he relies heavily on the existing knowledge and develops new knowledge and principles. As an artist, he sometimes solely depends on his intuition, guesswork and judgment. Just as a doctor uses his knowledge to cure his patients; a manager should use his knowledge to solve the problems in managing men, materials, machines, methods, and money.

As a Science: Science has been defined as a body of systematized knowledge, which establishes a relationship between cause and effect. Such systematized knowledge contains concepts, hypotheses, theories, experimentation and principles. Mere knowledge or collection of facts is not science. The knowledge so gathered should be verifiable. A subject to be recognized as a science should have the following features:

- It should have a systematic body of knowledge.
- Its principles should have been evolved on the basis of continued observation
- It should have a scientific method for observation.
- Its principles should have universal applicability
- Its principles should be verifiable
- Its principles should establish cause and effect relationship

Now management has been given the shape of an organized body of knowledge. Its study helps in gaining a rational approach to the development of means for accomplishing certain goals. That is why, management is called a Science. Although management has been recognized as a science, it is not exact like the biological and physical sciences. It falls in the area of 'Social Science' as it is a social process and deals with complex human beings. The theories and principles of management are situation bound. It may produce different results in different situations. That is why Ernest Dale has called management a 'Soft Science'.

A Profession: The management all other practices such as engineering, medicine, accountancy, human resources, public relations or even cricket, management is an art. However, managers can be better off by using systematically collected vast body of knowledge. The very existence of the body of knowledge and principles evolved on the basis of constant research, study and examination makes it eligible to be called as a science.

Managers, like other practitioners learn by trial and error, and for reference they can always turn to the body of knowledge-the basis for their practice. It is this knowledge that makes the management as a science and its practice is an art. Now a day's management is also termed as profession. The characteristics of a profession are:

- Existence of an organized and systematic body of knowledge,
- Formalized methods of acquiring knowledge and skills,
- Existence of an apex level body with Professionalization as its goal,
- Existence of an ethical code to regulate the behaviour of the members of the profession,
- Charging of fees based on service and

- A concern for social responsibilities.

A close scrutiny of management as a profession reveals that it has a long way to go to have a universally acceptance of management as a profession. Unlike other profession such as medicine, law etc., the practice of management is not restricted to individuals with a special degree. Anyone can manage and to quote *Peter Drucker*, "no greater damage could be done to an economy or to any society than to attempt to professionalize management by licensing managers, for instance, or by limiting access to management to people with a special academic degree".

Though many factors are responsible for the growing demand for professional managers and management as a profession has gained a firm footing in India as stated earlier, it has still a long way to go for universal acceptance as a profession. However one views management, be it as an art, a science or a profession, managers are there to stay and must be productive. Even though there is no unanimity on the measure of productivity, Koontz et al in their 'Essentials of Management' define it as the output-input ratio within a time period with due consideration for quality.

It can be expressed as follows:

Productivity = outputs/inputs (within a time period, quality considered)

Productivity means both being effective and efficient. Being efficient is the skill of achieving the goals with the least amount of inputs and being effective is the art of achieving the objectives. In other words, efficient is doing things rightly and effective is doing the right things.

Whatever name by which management is called - be it a science, an art or a profession, the fundamental concepts of management are universal in nature. However the managers at different levels in the organization, in different organizations and in organizations at different places face different problems and situations and consequently application of concepts, techniques and methods will automatically vary. This is the characteristic of the difference between theory and practice in any field. Now having understood the nature, scope and process of management and the historical evolution of management thoughts, in the next lesson we shall discuss different approaches and systems of management, skills, roles and modern challenges to the management.

Management and Administration Functions

Administrative Management: The use of management principles in the structuring and managing of an organization. The administration of a business includes the performance or management of business operations and decision making as well as the efficient organization of people and other resources to direct activities toward common goals and objectives.

Administrator is occasionally the title of the general manager or company secretary who reports to a corporate board of directors. In general, administration refers to the broader management function, including the associated finance, personnel and MIS services. In some organizational analyses, management is viewed as a subset of administration, specifically associated with the technical and operational aspects of an organization, distinct from executive or strategic functions. Alternatively, administration can refer to the bureaucratic or operational performance of routine office tasks, usually internally oriented and reactive rather than proactive. Administrators, broadly speaking, engage in a common set of functions to meet the organization's goals. These "functions" of the administrator were described by Henri Fayol as "the five elements of administration". Sometimes creating output, which includes all of the processes that create the product that the business sells, is added as a sixth element.

Comparison between management and administration:

	Management	Administration
Definition	Art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	Formulation of broad objectives, plans & policies.
Nature	executing function, doing function	decision-making function, thinking function
Scope	Decisions within the framework set by the administration.	Major decisions of an enterprise as a whole.
Level of authority	Middle level activity	Top level activity

Status	Group of managerial personnel who use their specialized knowledge to fulfill the objectives of an enterprise.	Consists of owners who invest capital in and receive profits from an enterprise.
Usage	Used in business enterprises.	Popular with government, military, educational, and religious organizations.
Influence	Decisions are influenced by the values, opinions, beliefs and decisions of the managers.	Influenced by public opinion, government policies, customs etc.
Main functions	Motivating and controlling	Planning and organizing
Abilities	Handles the employees.	Handles the business aspects such as finance.

Contributions by F.W. Taylor – Henry Fayal

Frederick W. Taylor, (1856-1915) known as the Father of Scientific Management, published Principles of Scientific Management in which he proposed work methods designed to increase worker productivity. One of his famous experiments had to do with increasing the output of a worker loading pig iron to a rail car. Taylor broke the job down into its smallest constituent movements, timing each one with a stopwatch. The job was redesigned with a reduced number of motions as well as effort and the risk of error. Rest periods of specific interval and duration and a differential pay scale were used to improve the output. With scientific management, Taylor increased the worker's output from 12 to 47 tons per day! The Taylor model gave rise to dramatic productivity increases. (Ford's assembly line)

Five Basic principles:

1. The scientific selection of the worker.
2. The scientific training of the worker.
3. Job specialization.
4. The importance of wage incentives.
5. A fair division of responsibility between workers and management.

Administrative management emphasizes the manager and the functions of management. Henri Fayol (1841--1925), known as the Father of Modern Management, was a French industrialist who has developed a framework for studying management. He wrote General and Industrial Management. His five functions of managers were plan, organize, command, coordinate, and control. His fourteen principles of management included division of work, authority and responsibility, discipline, unity of command, unity of direction, subordination of individual interests to general interests, remuneration of personnel, centralization, scalar chain, order, equity, stability of tenure of personnel, initiative, and esprit de corps (union is strength)

What are the 14 principles of management? Description

The 14 Management Principles from Henri Fayol are:

- 1) Division of Work: Specialization allows the individual to build up experience, and to continuously improve his skills. Thereby he can be more productive.
- 2) Authority: The right to issue commands, along with which must go the balanced responsibility for its function.
- 3) Discipline: Employees must obey, but this is two-sided: employees will only obey orders if management plays their part by providing good leadership.
- 4) Unity of Command: Each worker should have only one boss with no other conflicting lines of command.
- 5) Unity of Direction: People engaged in the same kind of activities must have the same objectives in a single plan. This is essential to ensure unity and coordination in the enterprise. Unity of command does not exist without unity of direction but does not necessarily flows from it.
- 6) Subordination of Individual Interest (To the General Interest). Management must see that the goals of the firms are always paramount.
- 7) Remuneration: Payment is an important motivator although by analyzing a number of possibilities, Fayol points out that there is no such thing as a perfect system.
- 8) Centralization (or Decentralization): This is a matter of degree depending on the condition of the business and the quality of its personnel.

- 9) Scalar chain (Line of Authority): A hierarchy is necessary for unity of direction. But lateral communication is also fundamental, as long as superiors know that such communication is taking place. Scalar chain refers to the number of levels in the hierarchy from the ultimate authority to the lowest level in the organization. It should not be over-stretched and consist of too-many levels.
- 10) Order: Both material order and social order are necessary. The former minimizes lost time and useless handling of materials. The latter is achieved through organization and selection.
- 11) Equity. In running a business a 'combination of kindness and justice' is needed. Treating employees well is important to achieve equity.
- 12) Stability of Tenure of Personnel: Employees work better if job security and career progress are assured to them. An insecure tenure and a high rate of employee turnover will affect the organization adversely.
- 13) Initiative: Allowing all personnel to show their initiative in some way is a source of strength for the organization. Even though it may well involve a sacrifice of 'personal vanity' on the part of many managers.
- 14) Esprit de Corps. Management must foster the morale of its employees. He further suggests that: "real talent is needed to coordinate effort, encourage keenness, use each person's abilities, and reward each one's merit without arousing possible jealousies and disturbing harmonious relations."

Planning:

- The process of setting goals, developing strategies, and outlining tasks and schedules to accomplish the goals.
- Generally speaking, planning is deciding in advance, what is to be done.
- Planning is an intellectual process, conscious determination of courses of action, the basing of decisions of purpose, facts and considered estimates. What should a plan be?

A plan should be a realistic view of the expectations. Depending upon the activities, a plan can be long range, intermediate range or short range. It is the framework within which it must operate. For management seeking external support, the plan is the most important document and key to growth. Preparation of a comprehensive plan will not guarantee success, but lack of a sound plan will almost certainly ensure failure.

Planning involves the laying of objectives and determining the course of action to achieve the objectives. Objectives have to be clarified before taking any other decisions. They provide the basis for the future and for evaluating the performance with the pre-determined standards.

Planning implies, deciding in advance what to do, when to do, where to do and how the results are to be evaluated. Planning is a continuous process. It is required to ensure effective utilization of human and non-human resources to accomplish the desired goals.

Nature of planning

The nature of planning can be highlighted by studying its characteristics. They are as follows:

- Planning is a mental activity.
- Planning is the primary function.
- Planning is goal-oriented.
- Planning is based on facts.
- Planning is forward looking.
- Planning is flexible.
- Planning pervades all managerial activity.
- Planning is essentially decision making.

Planning process:

- Define the purpose or problem and set objectives
- Collect and evaluate data relevant to forecasting the future (focus on the present)
- Develop alternative courses of action
- Decide on the best course of action
- Carry out the plan.

Essentials of planning: Planning is not done off hand. It is prepared after careful and extensive research. For a comprehensive business plan, management has to

- a) Clearly define the target / goal in writing.
 - It should be set by a person having authority.
 - The goal should be realistic.
 - It should be specific.
 - Acceptability
 - Easily measurable
- b) Identify all the main issues which need to be addressed.
- c) Review past performance.
- d) Decide budgetary requirement.
- e) Focus on matters of strategic importance.
- f) What are requirements and how will they be met?
- g) What will be the likely length of the plan and its structure?
- h) Identify shortcomings in the concept and gaps.
- i) Strategies for implementation.
- j) Review periodically.

The various steps involved in the planning process are as follows:

- Establishing objectives. They should be established for the organization as a whole and then broken down into departmental and sectional objectives.
- Identifying and defining the real problem. Every organization has to identify and define the problem which may arise in course of time.
- Collecting and analyzing information. Before actual planning is initiated all relevant information and data relating to planning problems are collected and analyzed.
- Determining planning premises (forecasting): The assumptions on which plan are based are known as planning premises. They are a forecast of future conditions. Assessment of future demand, customers taste, and competition in the market can be made with the help of forecasting
- Identifying alternative course of action: usually, there are several alternative plans. The planner should therefore try to find out all of the possible alternative and their probable consequence.
- Evaluation of alternative courses of action: evaluation means the study of performance of various actions. Once alternative action plans have been decided they should be evaluated in the light of cost, speed, quality and so on.
- Selecting the best course of action: at this stage, the manager selects the course of action which will prove to be the best in terms of achieving organizational objectives
- Follow up action: the last step in the planning process is to put the selected course into practice and develop its derivative plans such as policies, procedures, schedules, methods, budgets etc.

Types of Planning:

Planning is of several kinds depending upon their nature. The various types of plans are as follows:

- Financial and non-financial planning.
- Standing and ad hoc planning.
- Formal and informal planning.
- Administrative and operational planning.
- Short-range and long-range planning.

Types of plan: - (Components of Planning)

- 1) Purpose or Mission: Identifies the basic function or task of an organization or any part of it. Mission can be to produce and distribution of goods and services or to serve a particular section of the society. E.g. Mission of the oil company can be "To search for oil and to produce, refine and market. Petroleum and its related variety of products, from diesel fuel to chemicals.
- 2) Objectives or Goals: They are the ends toward which activity is aimed i.e. they are the results to be achieved. Organization objectives are the basic plan of the firm where as

dept. may also have their own objective, which are in line with organization objective. Objectives are a general declaration of purposes. They are the ends towards which the activities of an enterprise are directed. In the words of Robert C. Appley, "Objectives or goals, they are aims which management and administration wish organization to achieve."

- 3) Strategies: Strategy is, in George Steiner's words, "the process of determining the major objectives of an organization and the policies and programmes that will govern the acquisition, use and disposition of resources to achieve those objectives". In other words strategy is the general program of action and deployment of resources to attain comprehensive objectives. Thus, an entrepreneur needs to decide what kind of business he is going to do? A strategy may also be policy such as selling on cash only. Treatment of strategy as a type of plan is justified by its usefulness in practice and importance in guiding. Strategies are single use plans as they change frequently in accordance with the market conditions. They are the plans made in the light of the plans of the competitors. E.g. If the management sees the price cut by the competitor, it may decide upon a strategy of launching and advertisement campaign to educate the customer and to convince them of the better quality of their product.
- 4) Policies: Policy-Koontz et al define it as "general statement or understanding which guide or channel thinking in decision making". Policies define an area within which a decision is to be made and ensures that the decision will consistent with and contribute to the objective.
- 5) Procedures: Procedure is a subdivision of policy. It states a series of related steps or tasks to be per formed in a sequential way. In common parlance it is called 'Standard Operating Procedure' (SOP).
- 6) Rules: Rule is also a plan that prescribes a course of action and explicitly states what is to be done under a given set of circumstances. Take note to observe the differences in rules, procedures and policies. Whereas the policies are guide to decision making and allow the managers to use their discretion, rules and procedures allow no such discretion.
- 7) Programme: Programme is a broad term. Terry and Franklin define it as a "comprehensive plan that includes future use of different resources in an integrated pattern and establishes a sequence of required actions and time schedules for each in order to achieve stated objectives". Thus a programme includes objectives, policies, procedures, methods, standards and budgets. Launching of a satellite is a programme.
- 8) Budget: Budget is a statement of expected results expressed in numerical terms. It is a quantitative expression of a plan. It varies in accuracy, detail and purpose. Master budget contains the consolidated plan of action of the whole enterprise and is in a way the translated version of the overall business plan of the organization.

Steps of Planning



Limitations of Planning:

- Costly process.
- Influence of external factors.
- Rigidity.
- Non-availability of data.
- Limited scope.
- People's resistance.

Requirements of a Good Plan:

- Clear objective.
- Stable.
- Proper understanding.
- Comprehensive.
- Flexible.
- Economical.

Decision making

- The thought process of selecting a logical choice from the available options.

When trying to make a good decision, a person must weight the positives and negatives of each option, and consider all the alternatives. For effective decision making, a person must be able to forecast the outcome of each option as well, and based on all these items, determine which option is the best for that particular situation.

Def: "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".

"A Decision can be defined as a course of action consciously chosen from available alternatives for the purpose of desired result – J. L. Massie.

Following elements Major in Decision Making:

- Decision making is a selection process and is concerned with selecting the best type of alternative.
- The decision taken is aimed at achieving the organizational goals.
- It is concerned with the details study of the available alternatives for finding the best possible alternative.
- Decision making is a mental process. It is the outline of constant thoughtful consideration.
- It leads to commitment. The commitment depends upon the nature of the decision whether short term or long term.

Features or Characteristics of Decision-Making:

1. Rational thinking: It is invariable based on rational thinking. Since the human brain with its ability to learn, remember and relate many complex factors, makes the rationality possible.
2. Process: It is the process followed by deliberations and reasoning.
3. Selective: It is selective, i.e., it is the choice of the best course among alternatives. In other words, decision involves selection of the best course from among the available alternative courses that are identified by the decision-maker.
4. Purpose: It is usually purposive i.e., it relates to the end. The solution to a problem provides an effective means to the desired goal or end.
5. Positive.
6. Commitment.
7. Evaluation.

Process of Decision Making:

Decision making is the process of making choices by setting goals, gathering information, and assessing alternative occupations.

1. **Identify the decision to be made:** (Problems or goals or setting objectives) to analyze the through an internal process for try to define nature of the decision.
2. **Gather Relevant information:** (analyses the present conditions) The real trick in this step is to know what information is needed the best sources of this information, and how to go about getting it. Some information must be sought from within you through a process of self-assessment; other information must be sought from outside yourself-from books, people, and a variety of other sources. This step, therefore, involves both internal and external "work".
3. **Identify alternatives:** Through the process of collecting information you will probably identify several possible paths of action, or alternatives. You may also use your imagination and information to construct new alternatives. In this step of the decision-making process, you will list all possible and desirable alternatives.
4. **Evaluating the alternative solutions:** In this step, you draw on your information and emotions to imagine what it would be like if you carried out each of the alternatives to the end. You must evaluate whether the need identified in Step 1 would be helped or solved through the use of each alternative. In going through this difficult internal process, you begin to favour certain alternatives which appear to have higher potential for reaching your goal. Eventually you are able to place the alternatives in priority order, based upon your own value system.
5. **Choose among alternatives:** Once you have considered all the evidence, you are ready to select the alternative which seems to be best suited to you. You may even choose a combination of alternatives. Your choice in Step 5 may very likely be the same or similar to the alternative you placed at the top of your list at the end of Step 4.
6. **Implementation:** (take action) now take some positive action which begins to implement the alternative you chose in Step 5.
7. **Review Decision and Consequences.** In the last step you experience the results of your decision and evaluate whether or not it has "solved" the need you identified in Step 1. If it has, you may stay with this decision for some period of time. If the decision has not resolved the identified need, you may repeat certain steps of the process in order to make a new decision. You may, for example, gather more detailed or somewhat different information or discover additional alternatives on which to base your decision.

Types of decision

All Decision in Business & Administration some them given below:

1. Programmed and non-programmed decisions: Programmed decisions are those which are normally repetitive in nature and are taken as a routine job and responsibilities. These types of decisions are made by middle level management in accordance with some policies, rules and procedures. They have short term impact. For example: – granting a leave to an employee, purchasing office materials etc. non programmed decisions are non-repetitively taken by top executives. They need to collect data and analyze then and forecast the strategic plans.
2. Major and minor decisions: among different decisions some decisions are considerably more important than others and are prioritized. They are called major decisions. For example, replacement of man by machine, diversification of product etc. contrary to that, some of the remaining decisions are considerably less important than others and are not so prioritized. They are minor decisions. For example, store of raw materials etc.
3. Routine and strategic decisions: Routine decisions are those decisions which are considered as tactical decisions. They are taken frequently to achieve high degree of efficiency in the organizational activities. For example, parking facilities, lighting and canteen etc. strategic decisions are those which are related to lowering the prices of products, changing the product etc. they take more fund and degree of partials.
4. Organizational and personal decision: Organizational decision is taken by top executives. For official purpose. They affect the organizational activities directly. Authority is also delegated. Personal decisions are concerned to an employee. The executives whenever takes the decisions personally that is known as personal decisions.
5. Individual and group decisions: When a single employee is involved in decision making it is called individual decision. They are taken by sole proprietor when the problem is of routine nature. On the other hand when the decision is of group taken in a large organization where important and strategic decisions are taken the it is a group decision.

6. Policy and operating decisions: Policy decisions are taken by top level management to change the rules, procedures, organizational structure etc and they have a long term effect. Operational decisions are taken by low level management which have short term effect and which affect the day to day operation of the organization.

Problems involved in decision making

1. Lack of knowledge.
2. Lack of alternatives.
3. Unable to decision making condition.
4. Quick decision.
5. Data or information is false or old or not relent or lack of information.
6. Government policy.
7. Lack of experience.
8. Group conflict.
9. Time.
10. Etc.,

The Decision making Techniques:

Classical Method

- Traditions and policies standard operating procedures precedents, habit.
- Intuition, experience, judgment, background.

Modern Method

- Information analysis computerization use software package.
- Splitting into smaller sections choosing suitable boundaries use of it for trend analysis.

Decision Making Conditions

Decision making conditions: Decision maker makes the decision for future conditions. In fact, a decision is not a process of making the future decision but a means of reflecting the future in to-day's decision.

Decision Making	
	↓ ↓ ↓
Condition of Perfect Certainty	Condition of Risk
Certainty	Complete and accurate knowledge of the outcome of each alternative as there is only on outcome of each alternative.
	• Perfectly accurate decision time after time. • Highly structured and structured decision making techniques.
Risk	Multiple out comes for each alternative can be identified and probability of occurrence can be attached to each outcome.(this type of conditioning the decision maker decide two things amount of risk involved in a decision and amount of risk the organization is ready to assume)
	• Major organization decision. • Investment. • Part of information can structure, remaining unstructured. • Instructed and semi-structure decision making techniques.
Uncertainty	If a decision involves a condition about which the decision makes has no information about the relative changes of any single out come.

Objectives: Objectives are a part of the planning process. Planning has no meaning unless it is related to objectives. P.F. Drucker states, "*Objectives are important in every area where performance and results directly affect the survival and prosperity of business.*" He suggests eight specific areas in which objectives have to be set in terms of performance and results. These areas are: Market standing, innovation, productivity, physical and financial performance and development, workers performance and attitude, and public responsibility. E.g. The objective of the business might be to make certain profit by producing a given line of home entertainment equipment, while the objective of manufacturing department might be to produce the required no. of T.V. sets of a given design and quality at a given cost.

Characteristics of Objectives

- Hierarchy of objective. The objectives of an enterprise can be structured into a hierarchy. Thus, the " objectives at the lower levels are the means for the higher levels. For example, the enterprise objective of earning a certain rate of return on the investment may, in turn, generate objectives for other departments, sections, and individuals.
 - A. Socio – economic purpose.
 - B. Mission.
 - C. Overall objectives of the organization (long, strategies)
 - D. More specific overall objectives.
 - E. Division objectives.
 - F. Department and unit objectives.
 - G. Individual's objectives.
 - Performance.
 - Personal development objectives.

Here A, B, C – Board of Directors. (Sometimes D)

Here A, B, C, D – Top level management. (sometimes E)

Here D, E, F – Middle level management.

Here F, G – operational level management.

- Multiple in nature: Objectives are required in all areas of the enterprise on which its survival depends. Hence there should be multiple objectives rather than a single one.
- Long-range and short-range objectives: A business should have both long-range and short-range objectives as it is a continuous activity. Short-range objectives are normally drawn for immediate future and relate to market standing, maximization of sales, product development, productivity, and so on. On the other hand, long-range objectives are drawn for distant years and relate to the survival and growth of the enterprise. Short-range objectives are set to accomplish the long-range objectives. Thus, short-range objectives are more specific and detailed than long-range objectives.
- Objectives are interdependent: Since objectives are interdependent and must support one another, they can be attained simultaneously.
- Objectives have priority: In an enterprise, sometimes the accomplishment of one objective is relatively more important than the other. This is what we call as priority of objectives.
- Tangible and intangible objectives: Objectives which are quantifiable are known as tangible objectives. They relate to the areas of productivity, market standing, physical and financial standing. Intangible objectives, on the other hand, are not readily quantifiable and relate to the areas of manager's performance, workers' morale, and so on.

Advantage of Objectives:

- 1) They bring unity of planning.
- 2) Objectives are the effective means to decentralization of authority.
- 3) Objectives facilitate the co-ordination of workers efforts and resources of the enterprise.
- 4) They motivate the individuals.
- 5) Objectives provide the basic standards for control by way of classifying expected results.

Management By Objectives: (MBO) (Popular objective setting techniques in management)

MBO popular technique that organizations use to integrate objectives into the activities that managers engage in a formal, or a quasi-formal, procedure that begins with objective setting and ends with performance appraisal, usually on an annual cycle.

Koontz and others have defined MBO as follows: "MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner, consciously directed towards the effective and. efficient achievement of organizational objectives."

Features of MBO:

In the light of the above definitions of MBO, the following features of it can be identified.

- a) It is a technique and philosophy of management.

- b) Objective setting and performance review are made by the participation of the concerned managers.
- c) Objectives are established for all levels of the organization.
- d) It is directed towards the effective and efficient accomplishment of organizational objectives.
- e) It is concerned with converting an organizational objective into a personal objective on the presumption that establishing personal objectives makes an employee committed which leads to better performance.
- f) The basic emphasis of MBO is on objectives. MBO tries to match objectives with resources.
- g) Objectives in MBO provide guidelines for appropriate systems and procedures.
- h) Periodic review of performance is an important feature of MBO.
- i) MBO provides the means for integrating the organization with its environment, its sub-systems and people.
- j) Employees are provided with feedback on actual performance as compared to planned performance.

Strengths of MBO:

- MBO lets individual know what is expected of them.
- MBO aids in planning by forcing managers to establish objectives and target dates.
- MBO improves communication between managers and subordinates.
- MBO makes individuals more aware of organizational objective.
- MBO makes the performance review and evaluation process more equitable by focusing on specific results. It also improves the review process by providing systematic feedback during the time period these results are expected.

Weakness of MBO:

- Lack of top management support.
- Over emphasis on quantitative objectives.

Benefits of MBO: - An effective system of MBO leads to the following results in the organization.

1. MBO helps in improving productivity as the management team concentrates on the important task of reducing costs.
2. MBO helps in making a more systematic evaluation of performance.
3. It provides greater opportunity to managers for personal satisfaction on account of participation in objective setting and rational performance appraisal.
4. It helps in locating weak and problem areas because of improved communication and organization structure.
5. It serves as a device for organizational control integration.
6. It stimulates the subordinates' motivation.
7. It is the basis for organizational change as there is a constant process of interaction between the superiors and the subordinates.

Limitation: Although MBO is generally taken as the panacea for all the problems of an organization, it is not without weaknesses or limitations. The following are the limitations of MBO:

- MBO cannot be implemented effectively on account of difficulty in setting verifiable objectives.
- Open atmosphere for appropriate objective-setting is absent because of differences in the status of subordinates.
- Managers may not get time to do even their normal work as MBO involves much paper-work and holding of many meetings.
- There is a tendency on the part of the managers to emphasize short-term objectives and to become more precise in objective setting and accomplishment.
- MBO is a philosophy of managing an organization in a new way. However, many managers fail to understand and appreciate this new approach.
- MBO represents the danger of inflexibility in the organisation, particularly when the objectives need to be altered. In a dynamic environment, a particular objective may not be valid for ever.

In spite of all these weaknesses, MBO is considered as one of the unique techniques of managing the organization. However, the full benefits of it can only be derived if the following basic requirements are taken into account.

Process of MBO

MBO is a process for accomplishing enterprise objectives, enhancement of employee's commitment and participation. This process consists of a number of steps. They are:

1. Setting Of Organizational Objectives. The first step in MBO is to set verifiable objectives for the organization. The objectives that are set also indicate the measures for achieving the objectives. The objective setting usually commences at the top level of the organization and moves downwards to the lowest managerial levels. It goes in sequence like this:
 - Defining the purpose of the organization
 - Long-range and strategic objectives
 - Short-range organizational objectives
 - Departmental objectives
 - Individual manager's objectives.
2. Setting Of Subordinates' Objectives. Since organizational objectives are accomplished through individuals, each individual manager should know in advance what he is expected to accomplish. The objectives of the subordinates are set by the superior with their consultation and agreement.
3. This process makes them committed.
4. Matching Resources with Objectives. When objectives are set, there should be a connection between objectives and resources. This helps the organization in allocating the resources in an economical manner.
5. Appraisal. Appraisal is the periodical review of performance to measure whether the subordinate is accomplishing his objective or not. If not, what are the problems and how these problems can be overcome?
6. Recycling. The process of objective setting involves recycling. It means that first of all objectives are set in consultation with the subordinates, and then the subordinates set objectives for their subordinates, and so on. Thus, objective setting is a joint process through interaction between the superior and the subordinates.

Organizing:

Organizing process has defining the essential relationships among people, tasks, and activities in such a way that all the organization's resources are integrated and coordinated to accomplish its objectives efficiently and effectively.

To a top executive, the term organization means the weaving together of functional components in the best possible combination so that the enterprise can accomplish its objectives. Generally speaking, an organization is the rational coordination of the activities of a number of people for the accomplishment of some common goals, through division of labour and function, and through a hierarchy of authority and responsibility.

McFarland has defined organization, "as an identifiable group of people contributing their efforts towards the attainment of goals." Thus, the term organization represents a particular group of individuals engaged in accomplishing common goals.

Organization as a group has certain features. They are as follows:

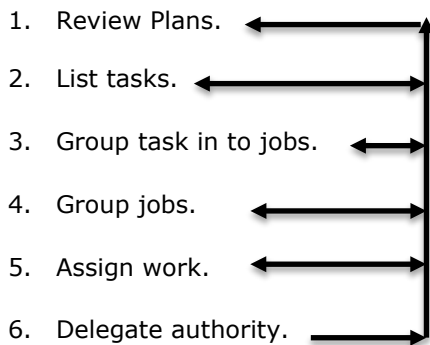
- a) It is a cooperative relationship of two or more persons.
- b) Its purpose is to accomplish certain goals.
- c) Its members can communicate with each other.
- d) The behaviour of the group is regulated through their own bye-laws.

In the words of Koontz and O'Donnell, "Organization involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision for authority delegation and coordination." Organization as a process, therefore, is an executive function that consists of:

- Breaking up the entire work into different segments

- Assigning each segment to the qualified individuals, and
- Coordinating the efforts of jobholders to attain the organizational goals.

Steps in Organizing



The steps in the organizing process include

- i. Review plans.
- ii. List all tasks to be accomplished.
- iii. Divide tasks into group's one person can accomplish - a job.
- iv. Group related jobs together in a logical and efficient manner.
- v. Assign work to individuals.
- vi. Delegate authority to establish relationships between jobs and groups of jobs.

Process

- Determine the essential jobs to be done by dividing the total organizational task into work assignments each of which can logically be done by one person.
- Group the individual tasks into meaningful units that can work together effectively.
- Decide who should be responsible for managing each of the groups of activities and delegate those responsibilities.
- Provide the means to integrate the work of each group or department into a coordinated effort designed to achieve the organizational objectives.

Important Of Organization

1. It facilitates administration and management.
2. It helps in the growth of an enterprise.
3. It ensures optimum use of human resources.
4. It stimulates creativity.
5. Use of improved technology.
6. Co-ordination in the enterprise.
7. Executive development.
8. It ensures co-operation among workers.

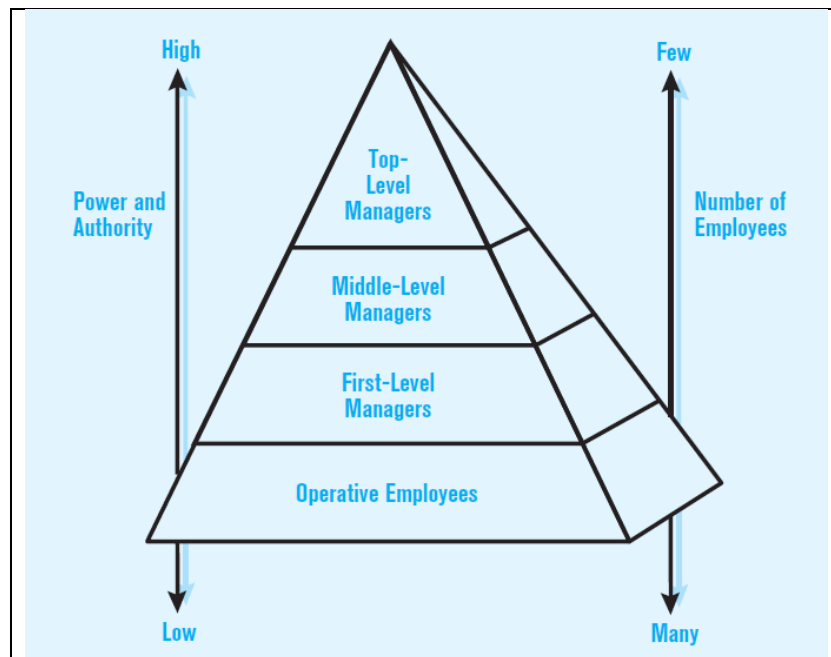
Principles of Organization

- Principles of unity of objectives.
- Principles of co-ordination.
- Principles of efficiency.
- Principles of unity of direction.
- Principles of specialization.
- Scalar principle.
- Short chain of command.
- Authority and responsibility.
- Principles of delegation.
- Principles of balance.
- Principles of change.
- Federal principle of an organization.

Principles of Organization Structure

Organizations are divided into jobs for individuals and groups. Companies also subdivide work through an organization structure—the arrangement of people and tasks to accomplish organizational goals. The structure specifies who reports to whom and who does what, and it is also a method for implementing a strategy or for accomplishing the purpose of the organization.

A bureaucracy is a rational, systematic, and precise form of organization in which rules, regulations, and techniques of control are specifically defined. Think of bureaucracy as the traditional form of organization; other structures are variations of, or supplements to, bureaucracy. Do not confuse the word bureaucracy with bigness.



Principles of Organization in a Bureaucracy

- 1) Hierarchy of authority.
- 2) Unity of command.
- 3) Task specialization.
- 4) Responsibilities and job descriptions.
- 5) Line and staff functions.

Organization Charts

An organization chart is “a diagrammatic representation of the structure of an organization.” In other words, it is a graphic portrayal of positions in the organization and of formal lines of communication among them. The organization chart provides a bird’s eye view of the relationship between different departments of an organization as well as the relationship between the executives and the subordinates at various levels. In the words of Louis A. Allen, “The organization chart is a graphic means of showing organization data. Organization charts are snapshots; they show only the formal organization and depict it only at a given moment in time.” Thus the main features of an organization chart are as follows

- It is a diagrammatical presentation.
- It shows the relationship between different authorities.
- It shows the kind of relationships prevailing in the organization.
- It shows the authority and responsibility of various authorities.

Benefits of the Organization Chart: The main advantages of the organization chart are the following

1. It facilitates organizational planning and manpower planning.

2. It helps to avoid overlapping of authority.
3. It enables the executives to know and appreciate their own position vis-a-vis others in the organization.
4. It is a source of authoritative information about the organization.
5. It helps to analyze an organization for effecting improvement.

Departmentation(Departmentalization)

- The grouping of jobs, processes, and resources into logical units to perform some organizational task.

After reviewing the plans, usually the first step in the organizing process is departmentalization. Once jobs have been classified through work specialization, they are grouped so those common tasks can be coordinated. **Departmentalization** is the basis on which work or individuals are grouped into manageable units. There are five traditional methods for grouping work activities.

- **Departmentalization by function** organizes by the functions to be performed. The functions reflect the nature of the business. The advantage of this type of grouping is obtaining efficiencies from consolidating similar specialties and people with common skills, knowledge and orientations together in common units.
- **Departmentalization by product** assembles all functions needed to make and market a particular product are placed under one executive. For instance, major department stores are structured around product groups such as home accessories, appliances, women's clothing, men's clothing, and children's clothing.
- **Departmentalization by geographical regions** groups jobs on the basis of territory or geography. For example, Merck, a major pharmaceutical company, has its domestic sales departmentalized by regions such as Northeast, Southeast, Midwest, Southwest, and Northwest.
- **Departmentalization by process** groups jobs on the basis of product or customer flow. Each process requires particular skills and offers a basis for homogeneous categorizing of work activities. A patient preparing for an operation would first engage in preliminary diagnostic tests, then go through the admitting process, undergo a procedure in surgery, receive post-operative care, be discharged and perhaps receive out-patient attention. These services are each administered by different departments.
- **Departmentalization by customer** groups jobs on the basis of a common set of needs or problems of specific customers. For instance, a plumbing firm may group its work according to whether it is serving private sector, public sector, government, or not-for-profit organizations. A current departmentalization trend is to structure work according to customer, using **cross-functional teams**. This group is chosen from different functions to work together across various departments to interdependently create new products or services. For example, a cross-functional team consisting of managers from accounting, finance, and marketing is created to prepare a technology plan.

Choosing the Pattern of Department:

There is no single best way to organize the most appropriate pattern depends on various factors on a given situation. These factors includes

1. The kind of job to be done (line etc.)
2. The way the last must be done.(repetitive etc)
3. Kind of persons involved/skilled or unskilled persons
4. The technology
5. The customer service type and
6. Other internal and external considerations.

The selection of a specific department pattern should be done so that organization objectives can be achieved effectively and efficiently.

Functional Departmentalization



Product Departmentalization



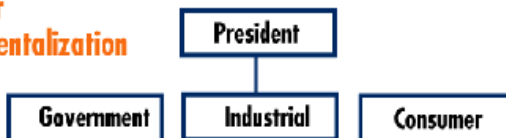
Geographical Departmentalization



Process Departmentalization



Customer Departmentalization



Span of management: - (Span of control) Determination of the number of people a manager can supervise. Principle of management stating the number of people a manager can supervise effectively. The ability to supervise people depends on the job in question, whether the employees are professionals, and on their location.

Factors affecting span of control:

1. Ability of the executive.
2. Time available for supervision.
3. Nature of work.
4. Capacity of sub-ordinates.
5. Effectiveness of communication.
6. Control devices.
7. Organizational assistance available to manager.
8. Degree of supervisory co-ordination needed.
9. Geographic proximity.
10. Similarity of functions.

Authority

The organization's legitimized power that is linked to each position within the organization.

Functional authority is the right, which is delegated to an individual or a department to control specified processes, policies or other matters related activities undertaken by persons in other department. It arises from the power of position i.e. from legitimate power.

Types of authority:

1. Line Authority – The most fundamental type of authority assigned in an organization, concerned with making decisions and giving instructions that have a direct bearing on the accomplishment of organizational goals.

2. Staff Authority – Grand to those units that have responsibility for assigning line units, staff units serve an auxiliary role and are located outside the organizational chain of command.
3. Functional Authority – Assigned to complement line or staff authority in order to accomplish a specific task.

Delegation of Authority

Delegation of authority is an elementary art of management as it has certain working rules or fundamentals. It is the basis of administration in all spheres of life and involves sharing of authority and also the responsibility thereof. **Delegation** means "devolution of authority on subordinates to make them perform the assigned duties or tasks." Thus, delegation is the process of entrusting part of the work by the superior to his subordinates.

In the words of **Theo Haiman**, "Delegation means the granting of authority to subordinates to operate within the prescribed limits." **L.A. Allen** defines delegation as "the ability to get results through others." These definitions indicate that the question of delegation arises when the volume of work to be done is in excess of an individual's capacity. Thus, a chief accountant in an organisation may delegate his duty to prepare the budget to one of his subordinates. He also delegates authority to him consistent with the performance of the duty. Boss-subordinate relationship is the result of delegation.

Without delegation, a subordinate may receive orders from many superiors and would not be able to comply with any of them.

Element of the Delegation Progress:-

Step: 1 Manager Assigns Responsibility

Manager —————→ Subordinate

Step: 2 Manager Shares Authority

Manager —————→ Subordinate
 -----→

Step: 3 Subordinate Acknowledges Accountability

Manager ←----- Subordinate
 -----→

Power:

POWER refers to a capacity that A has to influence the behaviour of B so that B does something he or she would not otherwise do. This definition implies (1) a potent that need not be actualized to be effective, (2) a dependence relationship, and (3) that B have some discretion over his or her own behaviour. Let's look at each of these points more closely.

Power may exist but not be used. It is, therefore, a capacity or potential. One can have power but not impose it. Probably the most important aspect of power is that it is a function of dependence.

Power is the ability to exert influence. When a person is able to change the behaviour or attitudes of other individuals, it is said that he has power. Thus, a manager's power is his ability to cause subordinates to do what he wishes them to do. It may be weighed in terms of the manager's ability to

- Give rewards,
- Promise rewards,
- Withdraw current rewards,
- Threaten to withdraw current rewards,
- Punish, and
- Threaten punishment.

Types Of Power - John French and Bertram Raven have identified the following sources of power at all levels of the organization.

1. **Coercive Power:** It is the ability of the manager to punish the subordinate for not obeying orders. The coercive power base is defined by French and Raven as being dependent on fear. One reacts to this power out of fear of the negative results that might occur if one failed to comply. It rests on the application, or the threat of application, of physical sanctions such as the infliction of pain, the generation of frustration through restriction of movement, or the controlling by force of basic physiological or safety needs.

2. **Reward Power:** It is the ability of the manager to reward the subordinate for obeying orders. e.g. Defence authorities, School Principle, Teacher(marks to be granted in Viva voice) etc. The opposite of coercive power is reward power. People comply with the wishes or directives of another because doing so produces positive benefits; therefore, one who can distribute rewards that others view as valuable will have power over them.

3. **Legitimate Power:** Legitimate power corresponds to the term 'authority'. It exists when a subordinate acknowledges that the manager is lawfully entitled to exercise authority. It normally arises from position and derives from our cultural system of rights, obligations, and duties. E.g. Traffic Officer can stop 1 at signal and cut challah, Judge can give his judgement by hearing the problem. In formal groups and organizations, probably the most frequent access to one or more of the power bases is one's structural position. This is called legitimate power. It represents the power a person receives as a result of his or her position in the formal hierarchy of an organization.

4. **Expert POWER:** This power comes from the expertness of a person or group. This is the power of knowledge. Expert power is influence wielded as a result of expertise, special skill, or knowledge. Expertise has become one of the most powerful sources of influence as the world has become more technologically oriented. As jobs become more specialized, we become increasingly dependent on "experts" to achieve goals. So, just as physicians have expertise and hence expert power-most of us follow the advice our doctor gives us – so too do computer specialists, tax accountants, solar engineers, industrial psychologists, and other specialists.

5. **Referent Power:** Comes because public believes in them and their ideas The last category of influence that French and Raven identified was referent power. Its base is identification with a person who has desirable resources or personal traits. If I admire and identify with you, you can exercise power over me because I want to please you.

Distinction between Authority and Power

Authority	Power
1) It is the right to command.	1) It is the capacity to command.
2) It is legitimized by certain rules, regulations, laws, and practices.	2) In the case of power, there is no such legitimization.
3) It is institutional and originates because of structural relationships.	3) It emerges because of personal factors and varies with the individuals.
4) It exists in the context of organizational relationship.	4) It may exist between any two persons and organizational relationships may not be necessary.
5) It is downward flowing concepts	5) It flow in all directions

Responsibility

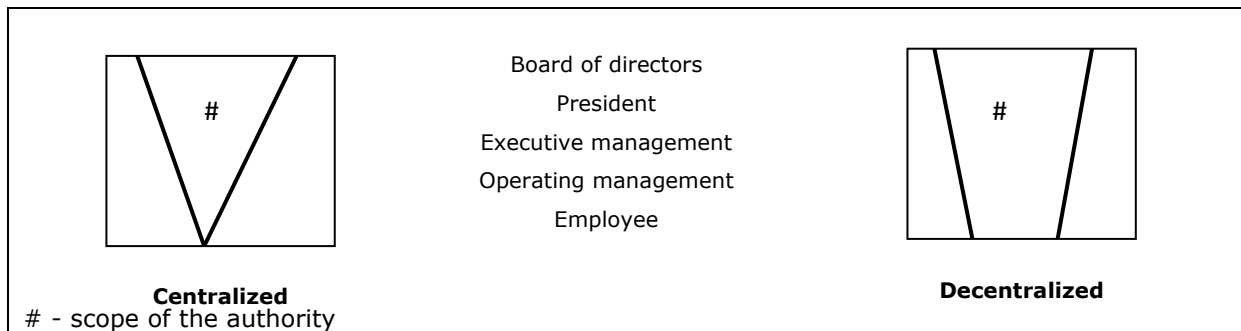
Responsibility means obligation to perform a task. It refers to the mental and physical activities, which should be performed to carry out a task. It originates from the superior-subordinate relationship and cannot be delegated or transferred. According to *Koontz and O'Donnell*, "Responsibility is the obligation of a subordinate to perform the assigned and implied duties." The duty should be expressed either in terms of functions or in terms of objectives. When a subordinate is asked to control the operations of a machine, the duty is in terms of the function. On the other hand, when a subordinate is asked to produce a particular number of pieces of a product, the duty is in terms of the objective.

Distinction between Authority and Responsibility:

Authority	Responsibility
1. It is power to command.	1. It is the obligation of subordinates to carry out the jobs assigned to him.
2. It arises on account of a formal posi-	2. It arises on account 'of the superior subordinate

tion	relationship.
3. It can be delegated.	3. It cannot be delegated.
4. It always moves downwards.	4. It always move upwards.

Centralization And Decentralization



Centralization: – The retention of authority at the top of the organization.

Decentralization: – The wide distribution of authority throughout the organization.

Line And Staff Organization (Departmentation)

Staff and line are names given to different types of functions in organizations. A "line function" is one that directly advances an organization in its core work. This always includes production and sales, and sometimes also marketing. A "staff function" supports the organization with specialized advisory and support functions. For example, human resources, accounting, public relations and the legal department are generally considered to be staff functions. Both terms originated in the military.

Staffing: - (HRM and labour relations)

- Processes of obtaining and keeping the number and type of worker necessary to accomplish organization objectives.

Staffing is defined as "the process involved in identifying, assessing, placing, evaluating and developing individuals at work." According to *Theo Haiman*, "Staffing function is concerned with the placement, growth and development of all those members of the organization whose function is to get things done through the efforts of other individuals." In the words of *Koontz and O'Donnell*, "The staffing function pertains to the recruitment, selection, development, training and compensation of subordinate managers."

The staffing function of management pertains to the determination of manpower requirements of the organization and providing it with adequate number of competent people at all its levels. Thus manpower planning, recruitment, training and development, appraisal and remuneration of workers are included in staffing.

Need and Importance of Staffing

- a) Better performance.
- b) Use of technology.
- c) Development of manpower.
- d) Optimum use of manpower.
- e) Recognition of human relations.

Steps in the Staffing Process:-

1. **Manpower planning.** It is the determination of the future requirement of personnel.
2. **Recruitment and selection.** It involves selecting the best candidates from among the applicants to fill various jobs in the organization.
3. **Placement.** It is assigning the right job to the right person in the organization.

4. **Training and development.** Every organization has some special jobs that need certain specialized skills. Thus, the staff appointed has to be trained and their abilities have to be developed commensurate with the organizational objectives.
5. **Compensation or remuneration.** It is concerned with developing a system of adequate and equitable remuneration of personnel commensurate with their contribution to the objectives of the organization.
6. **Performance appraisal.** It deals with the appraisal of the workers' performance.

Selection and Recruitment

Selection: The process of deciding which job applications will make the most suitable employees.

Recruitment: The process of attracting job candidates with the right characteristics and skills to fill job openings.

A Model for Selection

1. Applicant is recruited.
2. Preliminary screening interview.
3. Completion of application form.
4. Psychological testing.
5. Job interview.
6. Reference checking.
7. Physical examination.

Sources of Recruitment

1. Internal sources.
 - a. Transfer.
 - b. Promotion.
 - c. Recommendation by existing employees.
2. External sources
 - a. Advertisements.
 - b. Employment exchanges.
 - c. Private employment consultants.
 - d. Campus interviews.
 - e. Rival firms.
 - f. Unsolicited applicants etc.,

Stages of Selection:

1. Receiving application forms.
2. Scrutiny. (examine)
 - a. Age of the candidate.
 - b. Sex.
 - c. Community.
 - d. Educational qualification.
 - e. Experience.
 - f. other
3. Preliminary interview.
4. Tests.
 - a. Aptitude test.
 - b. Intelligence test.
 - c. Proficiency test.
 - d. Interest test.
 - e. Personality test.
5. Final interview.
 - a. Structured interview.
 - b. Unstructured interview.
 - c. Depth interview.
 - d. Stress interview.
 - e. Board interview.
 - f. Group interview.

6. Checking reference.
7. Medical examination
8. Appointment.
9. Probation.
10. Confirmation of services.

Training

- Training is act of increasing the knowledge and skills of an employee for doing a particular job.
- Training is the organized procedure in which people learn knowledge and/or skill for definite purpose.

Need for training:

1. To enable the new recruits to understand work.
2. To enable existing employees to update skills and knowledge.
3. To enable an employee who has been promoted to understand his responsibilities.
4. To enable an employee to become versatile.
5. To enable the employees to adapt to change in work methods.

Importance of training:

- a) Improvement in skill and knowledge.
- b) Higher production and productivity.
- c) Job satisfaction.
- d) Better use of resources.
- e) Reduction in accidents.
- f) Reduced supervision.
- g) Reduction in complaints.
- h) Adaptability.
- i) Scope for management by exception.
- j) Stability.

Training methods	Description	Learning outcomes
Lectures, readings, discussions	Receiving factual or persuasive information from presenter(s), documentation, and/or other trainees.	Transfers explicit knowledge, changes attitudes.
Audiovisual materials	Watching or listening to information or (for visual media) observing behavior or detailed situations.	Audio transfer explicit knowledge, video transfer both explicit and tacit knowledge through role modeling.
Computer based training	Learning through interaction with a web site, CD-ROM, DVD, or related technology, usually without trainers present; increasingly incorporates audiovisual materials.	Develops knowledge and some cognitive skills.
Coaching/mentoring	Providing one-on-one feedback and job related information to improve the trainee's self-awareness and knowledge about job related skills.	Develops skills, knowledge, and self-confidence through feedback, focused information, and support.
Job rotation	Giving trainees a series of job assignments for fixed periods in different parts of the production process or around the organization.	Develops skills through practice on the job.
Simulations and role-playing	Practicing job related behaviours in a environment that replicates the work environment or (for role playing) where the natural work environment is assumed	Develops skills through practices away from the usual work environment
Action learning	Investigating (usually in teams) and applying solutions to real and complex organizational problems or opportunities,	Develops cognitive skills and knowledge as well as interpersonal skills in the work

	with immediate relevance to the company.	environment.
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Direction – Concept – Elements of Directing – Principles of Direction – Process of Directing.

Directing: Communicating to others what their responsibilities are in achieving the company plan, as well as providing an organizational environment in which employees can become motivated to perform well.

Direction: is the impersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives.

Is telling people what to do and seeing that they do it to the best of their ability. It includes making assignments, corresponding procedures, seeing that mistakes are corrected, providing on the job instructions and of course, issuing orders.

Direction has following elements:

- Supervision.
- Motivation.
- Leadership.
- Communication.

Features or characteristics:

1. It is concerned with issuing of orders and instructions to the subordinates.
2. It is guiding and counseling the subordinates in their work with a view to improving their performance.
3. It is supervision of the work of subordinates to ensure that it conforms to plans.
4. Directing is pervasive because it is performed at all levels of management.
5. It is continuous process because it deals with the continuous guidance to be provided by the superiors to their subordinates.
6. It always follows a top down approach.
7. It provides linkage between other managerial functions such as planning, organizing and staffing.

Elements of directing:

- a) Issuing orders and instructions.
- b) Guiding, counseling and teaching the subordinates.
- c) Supervising the work of subordinates.
- d) Motivating the subordinates.
- e) Maintain discipline.
- f) Consultative direction.

Importance of Directing:

1. Principle of maximum individual contribution.
2. Providing guidance.
3. Principle of unity of command.
4. Principle of harmony of objectives.
5. Principle of managerial communication.
6. Promotes efficiency.
7. Leadership.
8. Follow through.
9. Growth and stability.

Motivation

- The outcome of the process by which a manager induces others to work to achieve organizational objectives as a means of satisfying their own personal desires.

Motivation is an integral part of the process of direction and the core of management. In the course of direction, the manager has to try to create in his subordinates the willingness to pursue organizational goals enthusiastically. It is an effective instrument in the hands of management for inspiring the workforce and creating a confidence in it. Motivation deals with actuating the people to work for the accomplishment of enterprise goals. Thus it is a performance factor in an industry.

The performance of an industry is determined by two factors.
They are:

- (a) Level of ability to do certain work
- (b) Level of motivation expressed as:
 $Performance = Ability \times Motivation$

According to Stephen.P.Robbins, "Motivation is the willingness to exert high levels of effort towards organizational goals, conditioned by the effort ability to satisfy some individual need."

"According to group and Starke defined motivation as the result of processes, internal or external to the individual"

The performance level would be high if both these factors are high. While motivation can be enhanced by the factors governing human behaviour in the organization, the ability to do work is governed by education and training.

Need and Importance of Motivation

- 1) Helps in realizing organizational goals.
- 2) Helps in increasing productivity.
- 3) Helps in reducing employees' turnover and absenteeism.
- 4) Helps in maintaining good industrial relations.
- 5) Helps in getting right personnel.
- 6) Helps in reducing employees grievances.

Characteristics of motivation

- 1. Motivation is internal to man
- 2. A single motive can cause different behaviours.
- 3. Different motive may result in single behaviour.
- 4. Motives interact with the environment.

Types of needs

- i. Primary needs.
- ii. Secondary needs.
- iii. General needs.

Role of Motivation

- i. High performance level.
- ii. Low employee turnover and absenteeism.
- iii. Acceptance of organizational changes.

Importance of motivation

- (1) Human energy, its direction channelling and sustenance.
- (2) Driving force aiming of certain tasks, goals.
- (3) System orientation containing forces in individuals and in this environment that feedback to individuals.
- (4) Reinforcement of the intensity of derive and energy either to dissuade or to redirect personnel efforts.
- (5) Human needs.
- (6) Organization structure and technological system and physical facilities of work.
- (7) Exogenous variable life social customs, culture, family life job status, occupation and profession.

Co-Ordination:

- Integration of the activities of individuals and units into a concerted effort that works toward a common aim.
- *"The orderly arrangement of group effort to provide unity of action in the pursuit of a common purpose"* – **James D. Mooeny**.

Fundamentals of coordination:-

- Unity of command: States that no subordinate should be responsible to more than one superior.
- Scalar chain: States that the line of authority in an organization begins at the top and authority is scaled down through the organization in an unbroken chain.
- Span of management: **Determination of the number of people a manager can supervise.**

Formal Organization:

The formal organization refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management. This type of organization is bound by rules, systems and procedures and is deliberately built by the management to accomplish organizational goals. But the degree of its success depends on the attitudes and capacities of the people within the organization.

The formal organization is built around the key pillars of division of labour, scalar process, structure, and span of control. These may also be called the *principles* of formal organization. Its structure is designed to enable its members to work together for accomplishing common goals. An individual should adjust himself to the formal organization. It tells him to do certain things in a specified manner, to obey orders from designated individuals and to cooperate with others. Coordination also proceeds in accordance with the prescribed pattern.

Formal organization is deliberately impersonal and is based on the ideal relationship between persons in terms of authority and responsibility. The authority and responsibility of each individual is well defined, obviating any chance of overlapping of authority. The basic features of formal organization are as follows:

1. It is a prescribed structure of roles and relationships consciously coordinated towards a common goal.
2. It is based on division of labour and specialization.
3. Its structure is pre-determined by the top management.
4. It does not consider the emotional aspect.
5. The authority and responsibility relationships created by the organization structure need to be honoured by everyone.

Informal Organization:

Informal organization refers to the relationships between people in an organization based not on procedures and regulations but on personal attitudes, whims, prejudices, likes, dislikes, etc. It arises from the personal and social relations of the people, which cut across formal channels to communicate with one another. Sometimes, it is afflicted with rumours and offers resistance to the new ideas of management.

Informal organizations are small groups and arise spontaneously along with the formal organizations. The groups can overlap since a person can be a member of 'more than one informal group. A manager cannot abolish the informal organization, as it is not created. Sometimes, informal relations can be used to support the formal organizations. For example, a superior weak in planning may accept the advice of an experienced subordinate. The following are the vital features of informal organization,

1. It arises spontaneously.
2. Its formation is a natural process.
3. It reflects human relationships.

4. Its membership is voluntary.
5. It is based on common taste, whims, prejudices, etc.

Benefits of informal organization

1. To employees.
 - a. Sense of belonging.
 - b. Value for emotional problems.
 - c. Aid on the job.
 - d. Innovation and originality.
 - e. Important channel of communication.
 - f. Social control.
 - g. Check on authority.
2. To management.
 - a. Less supervision.
 - b. An aid to management.

Disadvantages

- a) Resistance to change.
- b) Role conflict and sub-optimization.
- c) Rumour.
- d) Group think

Formal Organization vs. Informal Organization

Formal organization	Informal organization
a. It is deliberately formed.	b. It originates automatically.
b. It has pre-determined purposes.	c. It has no pre-determined purposes.
c. It is a structure of well-defined authority and responsibility relationship.	d. Its structure is based on personal attitudes, whims, and friendships.
d. It is usually stable.	e. It does not last too long.
e. It does not consider human sentiments.	f. It reflects human emotions.
f. It follows a fixed chain of command.	g. It does not follow a fixed chain of command.

Control:

To quote *Henry Fayol*, "Control of an undertaking consists of seeing that everything is being carried out in accordance with the plan which has been adopted, the orders which have been given and the principles which have been laid down. Its object is to point out mistakes in order that they may be rectified and prevented from occurring again."

According to *E.F.L. Breach*, "Control is checking current performance against pre-determined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance".

According to *Harold Koontz*, "Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished".

Planning and controlling are closely related to each other. If you do not decide on the targets and goals there is nothing for you to control i.e. if you do not know the direction in which to go where is the question of controlling. And remember controlling is the basic function of every manager.

Importance of Controlling:-

1. Basis for future action: Control helps the management to avoid repetition of past mistakes and provides the basis for future action.

2. Facilitates decision-making: Control is fundamental to decision making. It helps in determining the future course of action whenever there is a deviation between the standard and the actual performance.

3. Facilitates decentralization: The modern trend of business organizations towards decentralization calls for a systematic attempt towards controlling. Without proper control, decentralization cannot succeed.

4. Facilitates supervision: The existence of a proper control system should have a positive impact on the behaviour of the employees. It facilitates supervision.

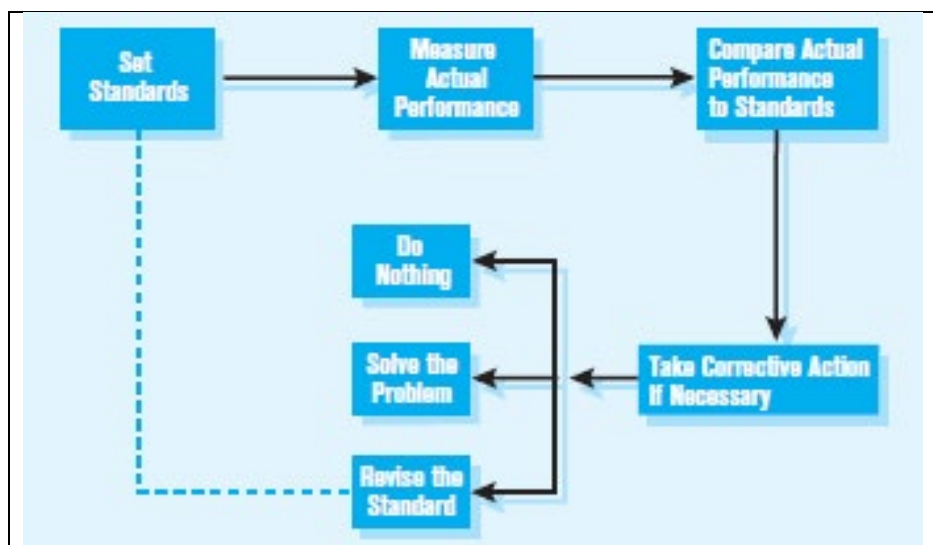
5. Improves efficiency: Since a good control system smoothes away wrinkles in the working of an organization, the morale of the employees remains high.

6. Facilitates coordination: Control helps in integration of activities through unity of action. It provides unity of direction.

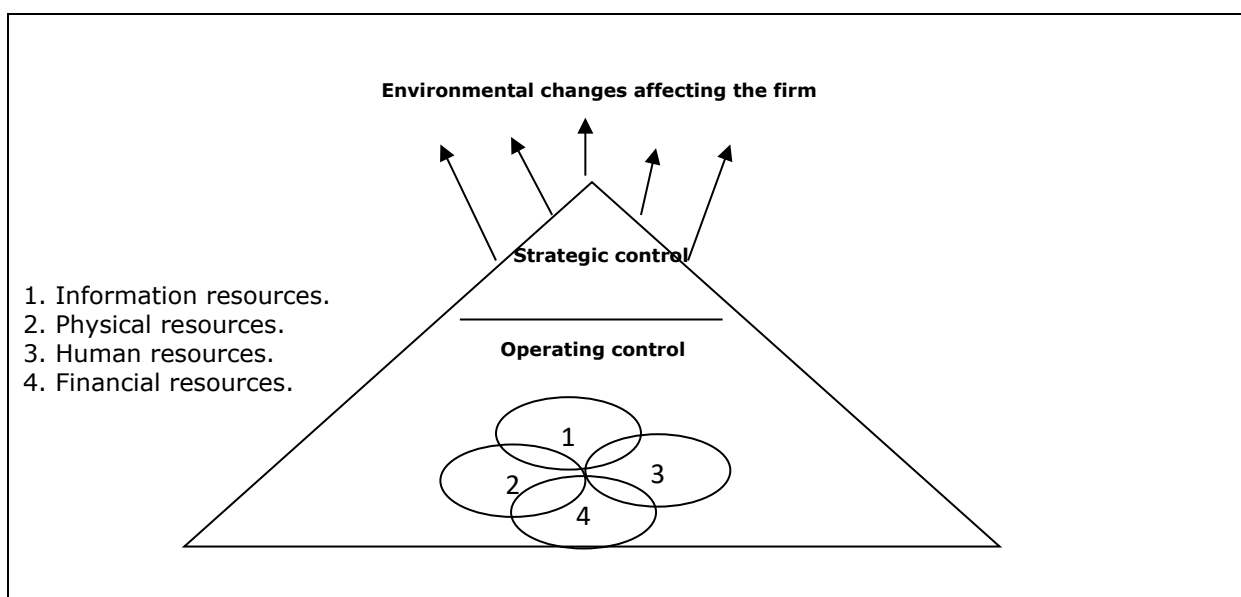
Steps In The Control Process

The steps in the control process follow the logic of planning:

- a. Performance standards are set.
- b. Performance is measured.
- c. Performance is compared to standards.
- d. Corrective action is taken if needed.

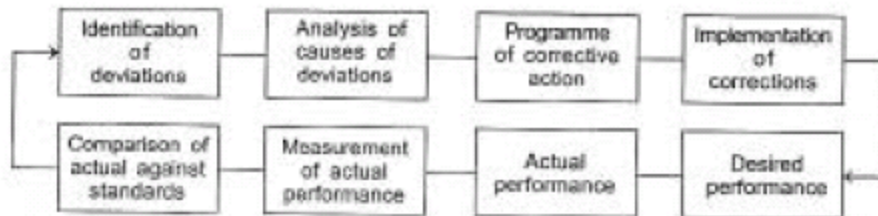


Focus of controlling:



Types of Control

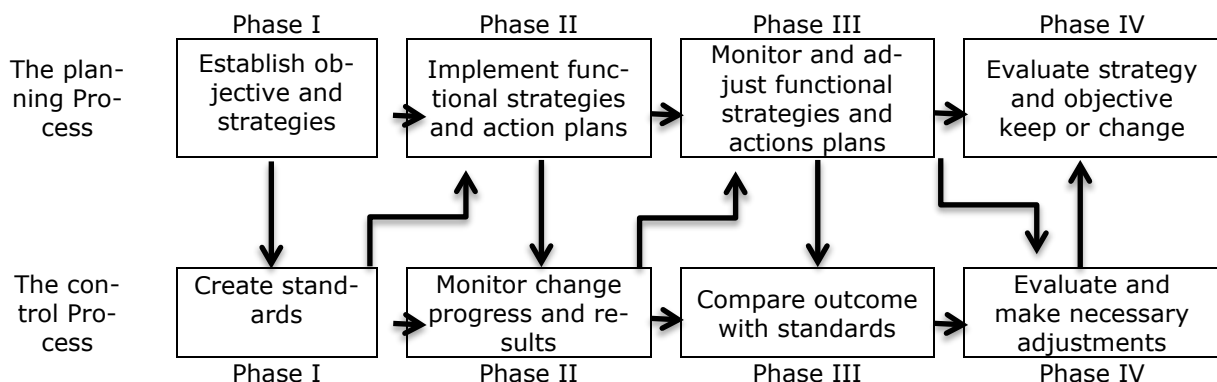
1. Open Loop Control: - In this just check, that the output is generated or not
2. Closed Loop Control/Feedback Control: - Managerial control is essentially the same basic process as is found in physical, biological and social systems. In electrical systems such as a voltage regulator, the principle of feedback is used. In the human body, a number of systems such as the control of temperature, blood pressure and other conditions are in accordance with the principle of feedback. So also in social systems, one finds feedback. Management control is usually perceived as a feedback system. The manager receives the feedback information regarding the actual performance. He can then compare it with the standard performance. In case the comparison is revealed unsatisfactory, corrective action is taken. This can be seen more clearly by looking at the feedback process involved in the management control system as shown in Figure A



3. Feed Forward Control: - In this type of control the system should tell in advance to take corrective action i.e. if they do not do something about a problem at present the problem may occur in future. The feedback is taken at each and every step.

Close Relationship of Planning and Controlling Basic Control Process

The basic control process is fundamentally same for different things such as say Office, Sales, Production, Accounts etc., The Basic Control Process consists of:



- a. Fixing a goal or a standard,
- b. comparing the results with the goal or standard fixed and
- c. Taking corrective action for the variations from the plan.

Fixing the Goals: As stated controls are comparing the results with the plans, the first step in the controlling process is establishing the goals or targets or standards. There are many types of goal settings. Among the best are the verifiable goals or targets.

Comparing the Results : Comparing the results with the goals is as important as setting the goals itself. Comparison should be done with constructive intent and should be forward looking rather than finding fault. It is quite true that measuring the results is not always an easy task and appraisal of performance in such a situation is a huge task. The idea of stating this is that more difficult and complex it becomes to control more important it is to control.

Taking Corrective Actions: Corrective actions can be many. The managers should know exactly where to take corrective action. A manager can take corrective action by

1. Better leading.
2. Reassignment.
3. Redefining the duties.

4. Adding staffs or better selection and picture of the enterprise's performance.
5. Break Even Analysis

Characteristics of Control:

1. Forward Looking: As stated earlier, control should be forward looking with a view to guard the business against future dangers and take corrective actions well in advance rather than wait for the situation to develop to the danger level before tackling them.
2. Continuous Process: Controlling should be a continuous process.
3. Flexible: Controlling should be flexible and should match with the requirements of the organization and the changing environment.
4. Controlling At All Levels: All managers at all levels exercise control with varying degrees.
5. Tailor made to suit individual plans and managers: - Controls should be designed to suit individual plans and manager and their personalities. For example, the budgets and various financial ratios have broad applications and one must be aware of the critical factors and they must use techniques and information suited to them.

Essentials of Effective Control System

1. Suitability- the control system should be appropriate to the nature and needs of various activities to serve the specific area or department of the organization.
2. Timely and forward looking- control system in the management of the organization should be used to evaluate the deviations timely and take corrective measures in time.
3. Simplicity- effective control system should be very simple and easy to understand by the concerned manager and subordinates.
4. Economy- the controlling system should be very economic and less costly. The benefits should be more than that of actual expenditure related to the common goal.
5. Objectives- the control system should be objective in order to specify the expected result in definite terms in terms of personal likes and dislikes of manager, subordinates and other information users etc.
6. Flexibility- every organization operates business in a dynamic environment. Controlling system should be flexible so that it could be adjusted in every environment
7. Focus on strategic plans- controlling system should focus on critical areas where deviations from standards are most likely to occur and they cause loss and damage. So controlling system should concentrate on those areas where corrective action can be applied effectively.
8. Coordinates with organizational workflow- the information to be used for the control must be coordinated with the organizational work flow for two main reason:
 - a. Each step in the workflow may affect the entire authority.
 - b. Control information must reach everyone who needs it.
9. Prescriptive and operational- control system should be prescriptive and operational. And if it does not prescribe remedies and help for smooth operation, it is not useful.

Ideal control System

An ideal system of control is that which makes the controlling function easy, effective and smooth.

An ideal management control system Principles.

- 1) Suitability.
- 2) Simplicity.
- 3) Objectivity.
- 4) Economical.
- 5) Flexibility.
- 6) Quick reporting.
- 7) Suggestive.
- 8) Forward looking
- 9) Individual responsibility.
- 10) Strategic point control.
- 11) Self-control.
- 12) Feedback.

Definition of Budget

The Chartered Institute of Management Accountants, England, defines a 'budget' as under:

"A financial and/or quantitative statement, prepared and approved prior to define period of time, of the policy to be pursued during that period for the purpose of attaining a given objective."

According to Brown and Howard of Management Accountant "a budget is a predetermined statement of managerial policy during the given period which provides a standard for comparison with the results actually achieved."

Essentials of a Budget

An analysis of the above said definitions reveal the following essentials of a budget:

1. It is prepared for a definite future period.
2. It is a statement prepared prior to a defined period of time.
3. The Budget is monetary and I or quantitative statement of policy.
4. The Budget is a predetermined statement and its purpose is to attain a given objective.

Budgetary control is "a system of controlling costs which includes the preparation of budgets, co-ordinating the department and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability."

Scope and Techniques of Standard Costing and Budgetary Control

Scope:

1. Budgets are prepared for different functions of business such as production, sales etc. Actual results are compared with the budgets and control is exercised. Standards on the other hand are compiled by classifying, recording and allocation of the expenses to cost units. Actual costs are compared with standard costs.
2. Budgets have a wide range of coverage of the entire organization. Each operation or process is divided into number of elements and standards are set for each such element.
3. Budgetary control is concerned with origin of expenditure at functional levels. Standard costing is concerned with the requirements of each element of cost.
4. Budget is a projection of financial accounts whereas standard costing projects the cost accounts.

Technique:

1. Budgetary control is exercised by putting budgets and actuals side by side. Variances are not normally revealed in the accounts. Standard costing variances are revealed through accounts.
2. Budgetary control system can be operated in parts. For example, Advertisement Budgets, Research and Development Budgets, etc. Standard costing is not put into operation in parts.
3. Budgetary control of expenses is broad in nature whereas standard costing system is a far more technically improved system by means of which the variances are analysed in detail.

Requisites for Effective Budgetary Control

The following are the requisites for effective budgetary control:

- a) Clear cut objectives and goals should be well defined.
- b) The ultimate objective of realising maximum benefits should always be kept uppermost.
- c) There should be a budget manual which contains all details regarding plan and procedures for its execution. It should also specify the time table for budget preparation for approval, details about responsibility, cost centers etc.
- d) Budget committee should be set up for budget preparation and efficient execution of the plan.
- e) A budget should always be related to a specified time period.
- f) Support of top management is necessary in order to get the full support and co-operation of the system of budgetary control.

- g) To make budgetary control successful, there should be a proper delegation of authority and responsibility.
- h) Adequate accounting system is essential to make the budgeting successful.
- i) The employees should be properly educated about the benefits of budgeting system.
- j) The budgeting system should not cost more to operate than it is worth.
- k) Key factor or limiting factor, if any, should consider before preparation of budget.
- l) For budgetary control to be effective, proper periodic reporting system should be introduced.

Advantages of Budgetary Control

The advantages of budgetary control may be summarized as follows:

- a) It facilitates reduction of cost.
- b) Budgetary control guides the management in planning and formulation of policies.
- c) Budgetary control facilitates effective co-ordination of activities of the various departments and functions by setting their limits and goals.
- d) It ensures maximization of profits through cost control and optimum utilization of resources.
- e) It evaluates for the continuous review of performance of different budget centers.
- f) It helps to the management efficient and economic production control.
- g) It facilitates corrective actions, whenever there is inefficiencies and weaknesses comparing actual performance with budget.
- h) It guides management in research and development.
- i) It ensures economy in working.
- j) It helps to adopt the principles of standard costing.

Limitations of Budgetary Control

Budgetary Control is an effective tool for management control. However, it has certain important limitations which are identified below:

- 1) The budget plan is based on estimates and forecasting. Forecasting cannot be considered to be an exact science. If the budget plans are made on the basis of inaccurate forecasts then the budget programme may not be accurate and ineffective.
- 2) For reasons of uncertainty about future, and changing circumstances which may develop later on, budget may prove short or excess of actual requirements.
- 3) Effective implementation of budgetary control depends upon willingness, co-operation and understanding among people reasonable for execution. Lack of co-operation leads to inefficient performance.
- 4) The system does not substitute for management. It is mere like a management tool.
- 5) Budgeting may be cumbersome and time consuming process.

Difference between Forecast and budget

Forecasts	Budgets
• A forecast is mainly concerned with anticipated or probable events. • Forecasts may cover for longer period or years. • Forecast is only a tentative estimate. • Forecast result in planning. • The functions of forecasts end with the forecast of likely events. • Forecast usually covers a specific business function. • Forecasting does not act as a tool of controlling measurement.	• Budget is related to planned events. • Budget is planned or prepared for a shorter period. • Budget is target fixed for a period. • Result of planning is budget. • The process of budget starts where forecast ends and converts it into a budget. • Budget is prepared for the business as a whole. • Purpose of budget is not merely a planning device but also controlling tool.