UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

BBA

(1st SEMESTER)

Course: BBA1B01

MANAGEMENT THEORY AND PRACTICES

(2019 ADMISSION ONWARDS)

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STUDY MATERIAL

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Calicut University- PO, Malappuram, Kerala, India - 673 635

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STUDY MATERIAL

FIRST SEMESTER

BBA

(2019 ADMISSION ONWARDS)

Course: BBA1B01

MANAGEMENT THEORY AND PRACTICES

Prepared by:

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Syllabus : Core Course

BACHELOR OF BUSINESS ADMINISTRATION
BBA1B01: MANAGEMENT THEORY AND PRACTICES

Time: 6 Hours per week **Credits: 4**
Internal: 20, External: 80

Course Objective:
This course intends to develop conceptual knowledge of Business Management. The study approach also enables students to understand and analyse practical aspects of management to become skilled manager in a corporate business set up.

Learning outcomes: On completing the course students will be able to:

1. Discuss different schools of management thoughts
2. Understand apply the concepts of planning, organizing, staffing and controlling for effective management
3. Aware and apply the ethically and socially responsible behaviour in Management, and
4. Aware and pursue the modern management practices in business

Module I : Evolution of Management: Concept and nature of management - Approaches to management: Classical approach - Scientific, Administrative and Bureaucratic - Neoclassical approach: Human relation and Behavioural - Modern approach: Quantitative, System and Contingency. **15hours**

Module II : Management Process: Basic roles and skills of manager –Levels of management- Overview of functions of management: planning, organising, staffing, directing and control - Nature and elements of planning, planning types – MBO - Strategic planning and decision making- Organizing – Division of labour and work specialization, Delegation, Decentralization, Span of management and Departmentation. **20 hours**

Module III : **Staffing, Directing and Control**: Staffing-Meaning and Importance - Factors affecting and functions of staffing - Directing–Meaning, importance and features of directing - Controlling– Meaning and importance, characteristics and types of controlling-Steps in control process- Techniques of control **20hours**

Module IV : Modern Practices in Management: Total Quality Management (TQM), Kaizen, Lean Management - Business Process Re-engineering-Open Book Management. **10hours**

Module V : Ethics and Social Responsibility: Managerial ethics - Factors affecting ethical choices - Ethical issues and ethical dilemma in business - Corporate Social Responsibility (CSR) – Stakeholders - Corporate Philanthropy-Managing company ethics and social responsibility - Concept of Corporate Governance - Indian Ethos for Management - Value-oriented Holistic Management.

15hours

Reference Books:

1. Koontz, Harold Wechrich, H. Management, Tata McGraw Hill, N.Y.
2. P. Robbins Stephen & Coulter Mary,Management, Pearson Education Asia, New Delhi.
3. Prasad, L. M,Principles and Practice of Management, Sultan Chand & Sons-New Delhi.
4. Sherlekar, Management (Value-Oriented Holistic Approach) Himalaya Publishing House,Mumbai.
5. Khandewal, N.M, Indian Ethos and Values for Managers, Himalaya Publishing House,Mumbai.

MODULE 1
EVOLUTION OF MANAGEMENT

CONCEPT AND DEFINITION OF MANAGEMENT

Managing is essential in all organized co-operation, as well as at all levels of organization in an enterprise. It is the function performed not only by corporation President and the army general but also of the shop supervisors and the company commander. Managing is equally important in business as well as non business organizations. During the last few decades, Management as a discipline has attracted the attention of academicians and practitioners to a very great extent. The basic reason behind this phenomenon is the growing importance of management in day to day life of the people.

Because of the divergent views, it is very difficult to give a precise definition to the term "Management". It has drawn concepts and Principles from economics, sociology, psychology, anthropology, history, and statistics and so on. The result is that each group of contributors has treated Management differently. Management is invariably defined as the process of "getting things done through the effort of others", getting from where we are to where we want to be with the least expenditure of time, money and efforts, or co-ordinating individual and group efforts, or co-ordinating individual and group efforts towards super-ordinate goals.

Harold Koontz defines management in a very simple form where he states that "Management is the art of getting things done through and with the people in formally organized groups".

Dalton E. McFarland defines Management as"Management is defined for conceptual, theoretical and analytical purposes as that process by which Managers create direct, maintain and operate purposive organization through systematic co-ordinated co-operative human effort."

To sum up, we can say that management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.

NATURE AND SCOPE OF MANAGEMENT

The study and application of Management techniques in managing the affairs of the organization have changed it's nature over the period of time. The nature of Management can be described as

1**. Multi disciplinary**

Management integrates the ideas and concepts taken from disciplines such as psychology, sociology, anthropology, economics, ecology, statistics, operation research, history etc. and presents newer concepts which can be put in practice for managing the organizations. Contributions to the field of management can be expected from any discipline which deals with some aspects of human beings.

2. Dynamic Nature of Principles

Principles are a fundamental truth which establish cause and effect relationship of a function. Based on practical evidences, management has framed certain principles, but these principles are flexible in nature and change with the changes in the environment in which an organization exists. In the field of Management, organization researches are being carried on to establish principles in changing society and no principles can be regarded as a final truth.

3. Relative, Not Absolute Principles

Management Principles are relative, not absolute and they should be applied according to the need of the organization. Each organization may be different from others. The difference may exist because of time, place, socio-cultural factors etc. A particular management Principles has different strength in different conditions and therefore Principles of Management should be applied in the light of the prevailing conditions.

4. Management, Science or Art

Science is based on logical consistency, systematic explanation, critical evaluation and experimental analysis. It is a systematized body of knowledge. Management, being a social science may be called as an inexact or pseudo science. The meaning of art is related with the bringing of desired result through the application of skills. It has to do with applying of knowledge or science or of expertness in performance. Management can be considered as an art and a better manager is one who knows how to apply the knowledge in solving a particular problem.

5. Management as a Profession

The word profession may perhaps be defined as an occupation based upon specialized intellectual study and training, the purpose of which is to supply skilled service or advice to others for a definite fee or salary. Profession is an occupation for which specialized knowledge, skills and training are required and the use of these skills is not meant for self satisfaction, but these are used for the larger interests of the society and the success of these skills is measured not in terms of money alone. Management possesses certain characteristics of profession, while others are missing. Therefore, it cannot be said to be a profession, though it is emerging as a profession and the move is towards management as a profession.

6. Universality of Management

There are arguments in favour and against the concept of universality. The arguments in favour of universality are:-

[a]management as a process and the various process of management are universal for all organizations

[b]distinction between management fundamentals and techniques

[c]distinction between management fundamentals and practices.

The arguments against universality are:-

[a]management is culture bound

[b]management depends upon the objectives of an enterprise

[c]management depends upon the differences in philosophies of organization

EVOLUTION OF MANAGEMENT

Creative, dynamic management is a driving force behind the success of any business. In today's marketplace, change is rapid and managers are expected to deal with a broad set of issues and needs. How they address those issues is very different today than it was a hundred years ago. Times have changed, labor has changed, and, most importantly, management philosophies have changed. The management philosophies of yesterday are valuable tools for managers to use today. The development of management thought has been evolutionary in nature under the following four parts:-

1.Pre- Scientific Management Era [Before 1880]

2.Classical Management Era [1880-1930]

3.Neo-Classical Management Era[1930-1960]

4.Modern Management Era [1950 onwards]

During pre-scientific management era, valuable contributions were made by Churches, Military organizations and writers like Charles Babbage and Robert oven. A school of thought emerged in this era is known as pre-scientific management school.

The earliest management philosophy, the classical perspective, emerged in the 19th and early 20th century in response to a problem businesses grapple with today: how to make businesses efficient operating machines. In the factory system, managers had the challenge of coordinating a huge, unskilled labor force, complex production systems, and an expansive manufacturing operation. The classical theorists like F.W.Taylor and Henri Fayol concentrated on organizational structure for the accomplishment of organizational goal.

Frederick Winslow Taylor's solution was the Scientific Management approach which proposed that productivity could be improved only by a series of precise procedures developed from a scientific observation of a situation. This approach standardized labor and training, employee hiring, and tied compensation to increased productivity. While highly successful, this approach did not take into consideration the diversity of abilities and needs within the workforce.

The neo classical writers like Elton Mayo and Chester I. Barnard tried to improve upon the theories of classical writers. They suggested improvements for good human relations in the organization. A crucial shift in management philosophy came in the 1920s with a new emphasis on human behaviors, needs and attitudes in the workplace over the economy and efficiency of production. This new way of thinking led the way for the human resource perspective, which saw workers as a resource to be fully utilized, as opposed to tools from which to extract utility. It suggested that beyond the need for worker inclusion and supportive leadership, organizations should design jobs to meet the higher needs of their employees and utilize their full potential. This perspective paved the way for the role that human relations departments play in organizations today.

Many of today's management perspectives grew out of adaptations of the humanistic perspective. One such perspective is the systems theory, which views an organization as a series of interconnected systems that affect and are effected by each other

The modern management thinkers like Robert Schlaifer and Herbert Simon define organization as a system. They also consider the impact of environment on the effectivenss of the organization. The social system school, the decision theory school, the quantitative management school, the systems management school, etc. are the contributions of modern management era.

To sum up

(A) Early management approaches which are represented by scientific management, the administrative management theory and the human relations movement

(B) Modern management approaches which are represented by scientific management, the administrative/management science approach, the systems approach and the contingency approach

SCHOOLS OF MANAGEMENT THOUGHT

The development of thought on Management dates back to the days when people first attempted to accomplish goals by working together in groups.With the work of Frederic Taylor and Henri Fayol, there was serious thinking and theorizing about managing many years before.

In the early 19th century, industrialization and the factory system saw the advent of assembly line operation and costing systems. Management Principles in business were adopted in the latter half of nineteenth century. As the concept of management evolved, various schools of management thought emerged. Thus there came a myriad ways of classifying management theories. One such classification was given by Koontz, who classified the theories into the following six groups:

- The management process school
- The empirical school
- The human behavioural school
- The social systems school
- The decision theory school
- The mathematical school

The purpose of this article is to identify the various schools of management theory, indicate the source of the differences, and to provide some suggestions for disentangling the management theory jungle. Koontz describes six schools of management theory as follows.

1. **The Management Process School**

The management process school views management as a process of getting things done with people working in organized groups. Fathered by Henri Fayol, this school views management theory as a way of organizing experience for practice, research and teaching. It begins by defining the functions of management.

2. **The Empirical School**

The empirical school views management theory as a study of experience. Koontz mentions Ernest Dale's comparative approach as an example which involves the study and analysis of cases. The general idea is that generalizations can be drawn from cases that can be applied as guides in similar situations. As such it is also known as case approach or management experience approach. According to this school, management is considered as a study of managers in practice. It is a study of success and failures in the application of management techniques by managers in their practice. Theories of management can be developed by studying large number of experiences because some sort of generalizations can be possible.

3. **The Human Behaviour School**

The central thesis of the human behaviour school is that since management involves getting thing done with people, management theory must be centered on interpersonal relations. Their theory focuses on the motivation of the individual viewed as a socio-psychological being. This approach can be divided into two groups ; interpersonal behaviors approach and group behaviors approach. Emphasis is put on increasing productivity through motivation and good human relations.

4. **The Social System School**

The members of the social system school of management theory view management as a social system. March and Simon's 1958 book *Organizations* published by Wiley is used as an example, but Koontz indicates that Chester Barnard is the spiritual father of this school of management. The social system school identifies the nature of the cultural relationships of various social groups and how they are related and integrated. Barnard's work includes a theory of cooperation which underlies the contributions of many others in this school. Herbert Simon, and others expanded the concept of social systems to include any cooperative and purposeful group interrelationship or behavior. According to this approach, the organization is essentially a cultural system composed of people who work in co-operation. As such, for achieving organizational goals, a co-operative system of management can be developed only by understanding the behavior of people in groups.

5. **The Decision Theory School**

The decision theory school of management concentrates on the rational approach to decisions where alternative ideas or courses of action are analyzed. The decision is the central focus. This approach looks at the basic problem of management around decision making – selection of suitable course of action out of the given alternatives Major contribution to this approach has come from Simon, March, Cyert, Forrester, etc. The major emphasis of this approach is that decision making is the job of every manager. The manager is a decision maker and the organization is a decision making unit. Therefore the basic problem in managing is to make rational decision.

6. **The Mathematical School**

The mathematical school of management views management as a system of mathematical models and processes. This includes the operations researchers and management scientists. But Koontz points out that in his view mathematics is a tool, not a school.

MANAGEMENT AS A SCIENCE AND AN ART

The controversy with regard to management, as to whether it is a science or art is very old. Specification of exact nature of management as science or art or both is necessary to specify the process of learning of management.Management is not easy. It is not an exact science. In fact, it is seen as an art that people master with experience.. When viewed as an art, management is remarkable, but natural expression of human behavior. It is intuitive, creative and flexible. Managers are leaders and artists who are able to develop unique alternatives and novel ideas about their organizations needs. They are attuned to people and events around them and learn to anticipate the turbulent twists and turns around them.

However, artistry in management is neither exact nor precise. Artists interpret experience and express it in forms that can be felt, understood and appreciated by others. Art allows for emotion, subtlety and ambiguity. An artist frames the world so that others can see new possibilities.

Science is extraordinary. It is a method of doing things. It is the organized systematic expertise that gathers knowledge about the world and condenses the knowledge into testable laws and principles. When science is done correctly, it can advice us in all of our day to day decisions and actions. The Process of scientific theory construction and confirmation can be viewed as involving the following steps:-

1. The formulation of a problem or complex of problems based on observation.
2. The construction of theory to provide answers to the problem or problems based on inductions from observations
3. The deduction of specific hypothesis from the theory.
4. The recasting of the hypothesis in terms of specific measures and the operations required to test the hypothesis.
5. The devising of the actual situation to test the theorem; and
6. The actual testing in which confirmation does or does not occur

Management as an art

The artistic talents of the manager can be enriched by the usage of scientific tools. The artist in any manager definitely has an edge. His creativity and productivity can be magnified by using the correct scientific methods. The art of management existed long before automation. Without doubt, the science has made the management easier. But focusing only on the science may lead to shift of focus of the entire team and create overheads. Success of managers depends on how effectively they can use the scientific aid to enhance their artistic skills. Medicine engineering, accountancy and the like require skills on the part of the practitioners and can only be acquired through practice. Management is no exception

Art is concerned with particle knowledge and personal skill for doing out the desired results. In management, a manager should have practical knowledge & skill. Otherwise his performance will be adversely affected.

Management is a way of doing a specific action while doing the function of an art is to achieve the success in a given action.

According to George R. Terry, "Art is bringing about of a desired result through application of skill." Thus, art has 5 essential features.

i. Practical Knowledge
ii. Personal Skill
iii. Concrete Result
iv. Constructive Skill
v. Improvement through practice

These 5 functions of art also belong to the management. When a manager uses his management skill then he must have practical knowledge for solving managerial problem. A manager also has power to face the problem to find out the result, which is only possible when he/she has constructive skills. To improve the managerial skill, managerial work should be done on regular basis because regularity and practice make the work effective. So, we can say that manager is an artist since he/she posses the skill of getting the work done through and with the people. Therefore, it can be concluded that manager is an artist and management is bound to be an art.

Management as a Science

Science refers to an organized and systematic body of knowledge acquired by mankind though observation, experimentation and also based on some universal principles, concepts, and theories. Principles of science are developed through testing & observation. With the help of concept of science it can safely be concluded that management is also a science because it is based upon certain principle and concerned as a systematized body of knowledge, observation, test and experiment is a science, however it is not exact as physics, chemistry, biology, etc.

Before ·trying to examine whether the management. is a science or not we have to understand the nature of science. Science may be a described as a systematized body of knowledge pertaining to an act of study and contains some general truths explaining past events or phenomena. It is Systematized in the sense that relationships between variables and limit have been ascertained and underlying principal discovered. Three important characteristics of science are.

1. It is a systematized body of knowledge and uses scientific methods for Observation;
2. Its principles are evolved on the basis of continued observation and experiment; and
3. Its principles are exact and have universal applicability without any limitations

Judging from these criteria, it may be observed that management too is a systematized body of knowledge and its principles have evolved on the basis of observation not necessarily through the use of scientific methods. However, if we consider science a discipline in the sense of our natural science one is able to experiment by keeping all factors and varying one at a time. In the natural science it is not only possible to repeat the same conditions over and over again, which enables the scientist to experiment and to obtain a proof. This kind of experimentation-cannot be accompanied in the art of management since we are dealing with the human element. This puts a limitation on management as a science. It may be designated as 'inexact' or 'soft science'

CLASSICAL THEORIES OF MANAGEMENT

Classical theories of management are the oldest and most traditional theories of management. These theories were generated in late 1800’s and early 1900’s. They revolve around the basic assumption that people are motivated by economic incentives. The classical theory can be further categorized into three theories

- Scientific Management Theory
- Administrative Principles
- Bureaucracy

Scientific Management

This theory was propounded by Frederick W. Taylor.

Frederick Winslow Taylor and Scientific Management

Frederick Winslow Taylor is generally acknowledged as "the father of scientific management." His experiences as an apprentice, a common labourer, a foreman, a master mechanic, and then the Chief Engineer of the Steel company gave Taylor ample opportunity to know at first hand the problems and attitudes of workers and to see the great opportunities for improving the quality of Management.

Taylor principal concern throughout most of his life was that of increasing efficiency in production, not only to lower costs and raise profits, but also to make possible increased pay for workers through their higher productivity. Taylor saw productivity as the answer to both higher wages and higher profits, and he believed that the application of Scientific methods, instead of custom and rule of thumb, could yield the productivity without the expenditure of more human energy or effort.

Taylor's famous work entitled the "The Principles of Scientific Management" was published in 1911. Scientific Management is not any efficiency device, in its essence; scientific management involves a complete mental revolution on the part of the working man in any particular establishment or industry and is equally complete mental revolution on the part of those on the management side. The great mental revolution that takes place in the attitude of two parties is that together they turn their attention towards increasing the surplus than dividing the surplus.

The fundamental Principles that Taylor was underlying the Scientific approach of Management may be summarized as follows:-

1. Replacing rules of thumb with science.
2. Obtaining harmony in group action, rather than discord
3. Acheiving co-operation of human beings, rather than chaotic individualism.
4. Working for maximum output rather than restricted output.

5. Developing all workers to the fullest extent possible for their own and their company's highest prosperity.

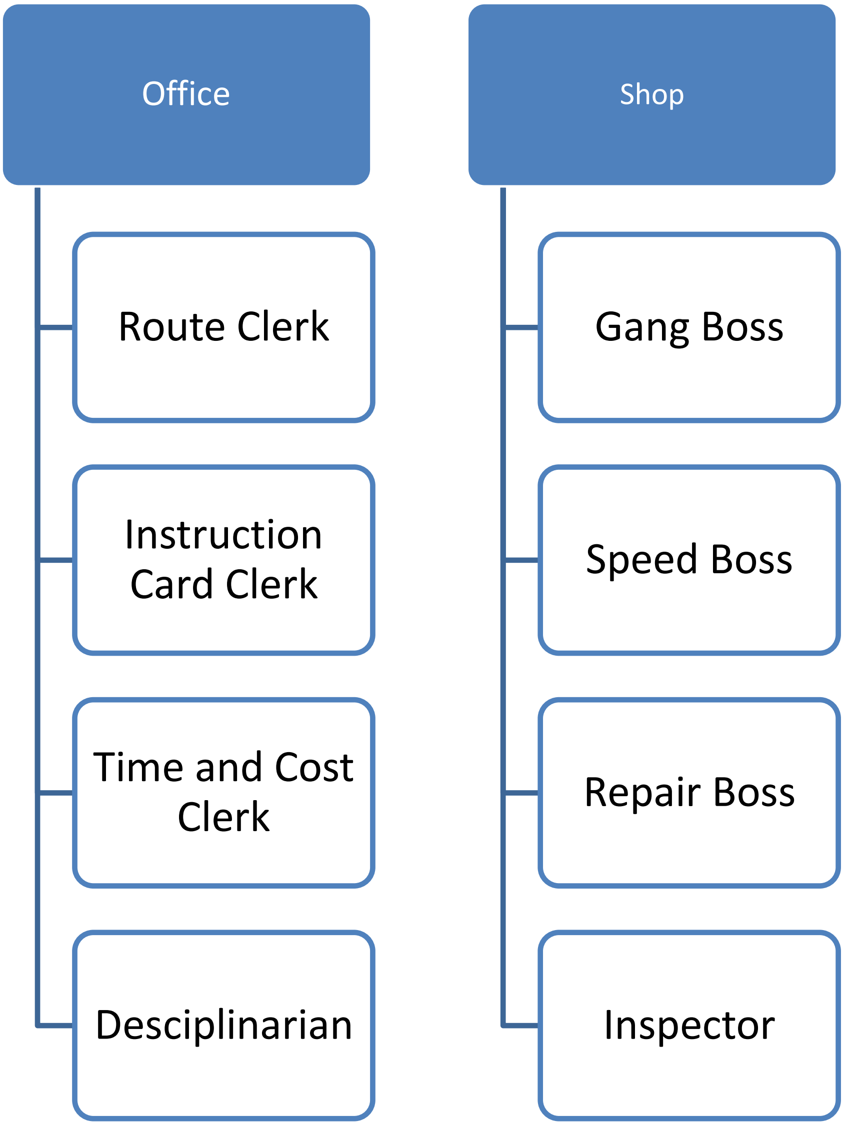
He gave the following principles:

1. Every job should be broken into its element and a scientific way of performing it should be established.
2. Workers should be scientifically selected with the right attitude and ability and be properly trained.
3. Scientific Distribution of work between workers and management. A mental revolution is needed which means creation of mutual trust between workers and management.
4. Maximum output in place of restricted output should be produced as it is beneficial for both management and workers.

Techniques of Scientific Management

1. **Time Study**: This study emphasizes that the ideal time to complete a job should be identified so that the efficiency of workers can be increased.
2. **Motion Study**: This study studies the ideal type and number of movements to complete a task so that workers can be trained accordingly and generate maximum output.
3. **Standardization and Simplification**: Every output should be of a specified standard and in order to do that simplification of tasks is must.
4. **Scientific task planning**: Each job should be planned in a systematic manner with step by step approach.
5. **Differential piece rate system**: Different piece rates should be advocated for efficient and inefficient employees. Ex. 10 is the standard output, If any worker produces more than 10 units then he/she shall be rewarded at $6 per unit basis while if any worker produces 10 or less than that outputs then he/she shall be rewarded at $5 per unit basis. So, an employee who produces 12 units will earn $72 and one who produces 8 units will earn $40.
6. **Functional Foremanship**: Each job should have 4 office supervisors and 4 shop supervisors. Office supervisors are the ones who take care of the administrative and written documentation while shop supervisors are the ones who help in implementation on the shop floor.

The following diagram explains the same



Critical Evaluation

The theory has been criticized by many authors on the following account:

1. Mechanist Approach: This theory assumes man as machinery. It assumes more the money provided to men more will be the number of units produced by them. The truth is man has his/her limitation he/ she can not go on and on to produce, man gets bored and fatigued and hence after a certain limit cannot produce.

2. Narrow view: The theory has a narrow view whereby it assumes that man can only be motivated by money. The truth is men have needs beyond money like need to be loved, need for affection.

3. Unrealistic assumption: Assuming that money is the only motivator is wrong as if it was so

simple to get maximum output from workers then why would there still exist workers who are inefficient.

4. Impracticable: Not appreciating the emotional, social needs of human is impracticable, we all know how man not only wants money but also requires love, affection etc.

5. Exploitation of Labour: High piece rate leads to exploitation labour. Charlie Chaplin is the best example of how monotonous work can make a man retarded.

6. Environment not taken into consideration: Producing maximum output when there is no demand for the output is not worth it. Thus, deciding the number of output to be produced should be based on market demand rather than producing maximum output in place of restricted output.

Administrative Theory

This theory was given by Henri Fayol.

Contributions of Henry Fayol

Henri Fayol was a French mining engineer, director of mines, who developed independent of the theory of Scientific Management, a general theory of business administration also known as Fayolism. His contributions are generally termed as operational management or administrative management.

He was one of the most influential contributors to modern concepts of management. Fayolism is one of the first comprehensive statements of a general theory of management developed by Fayol. He has proposed that there are six primary functions of management and 14 principles of management. The Primary function of management are forecasting planning organizing commanding coordinating and controlling.Fayol's contributions were first published in the book form titled as "Administration Industrielle at Generale' in French language , in 1916.Fayol looked at the problems of managing an organisation from top management point of view. He has used the term 'administration' instead of 'management' emphasising that there is unity of science of administrator. For him, administration was common activity and administrative doctrine was universally applicable. Fayol found that the activities of an industrial organisation could be divided into six groups.

1. Technical [relating to production]
2. Commercial [buying, selling and exchange]

3. Financial [search for capital and its optimum use]
4. Security [protection of property and person]
5. Accounting [including statistics] and
6. Managerial [planning, organisation, command, coordination, and control]

Pointing out that these activities exist in business of every size, Fayol observed that the first five were well known, and consequently he devoted most of his book to analyse the sixth one, that is, managerial activity. Fayol has divided his approach of studying management into three parts;

[1] Managerial qualities and training

[2] General principles of management and

[3] Elements of management

Managerial qualities and training

Fayol was the first person to identify the qualities required in a manager. According to him, there are six types of qualities that a manager requires. These are as follows:

1. Physical [health, vigour and address]
2. Mental [ability to understand and learn, judgement, mental vigour, and adaptability
3. Moral [energy, firmness, initiative, loyalty, tact, and dignity]
4. Educational [general acquaintance with matters not belonging exclusively to the function performed]
5. Technical [peculiar to the function being performed] and
6. Experience [arising from the work]

General Principles of Management

Fayol has given fourteen principles of management. He has made distinction between management principles and management elements. While management principle is a fundamental truth and establishes cause-effect relationship, management element denotes the function performed by a manager. Henry Fayol strongly felt that managers should be guided by certain principles while giving the management principles, Fayol has emphasised two things.

1. The list of management principles is not exhaustive but suggestive and has discussed only those principles which he followed on most occasions.
2. Principles of management are not rigid but flexible.

Fayol evolved 14 general principles of management which are still considered important in management. These are:

1. **Division of work:**

This principle suggests that work should be assigned to a person for which he is best suited. Work should be divided up to that stage where it is optimum and just. This division of work can be applied at all levels of the organization. Fayol has advocated division of work to take the advantages of specialization

2. **Authority and responsibility:**

Responsibility means the work assigned to any person, and authority means rights that are given to him to perform that work. It is necessary that adequate authority should be given to discharge the responsibility. Authority includes official authority and personal authority. Official authority is derived from the manager's position and personal authority is derived from the personal qualities. In order to discharge the responsibility properly, there should be parity of authority and responsibility.

3. **Discipline:**

This principle emphasizes that subordinates should respect their superiors and obeys their orders. On the other hand, superiors' behavior should be such that they make subordinates obedient. If such discipline is observed, there will be no problem of industrial disputes. Discipline is obedience, application, energy, behavior and outward mark of respect shown by employees. Discipline may be of two types; self imposed discipline and command discipline. Self imposed discipline springs from within the individual and is in the nature of spontaneous response to a skilful leader. Command discipline stems from a recognized authority.

4. **Unity of command:**

Subordinates should receive orders from one superior only. If he receives orders from more than one person, he can satisfy none. The more completely an individual has a reporting relationship to a single superior, the less is the problem of conflict in instructions and the greatest is the feeling of personal responsibility for results.Fayol has considered unity of command as an important aspect in managing an organization.

5. **Unity of Direction:**

Each group of activities having the same objective must have one head and one plan. In the absence of this principle, there may be wastage, over expenditure and useless rivalry in the same organisation.Unity of direction is different from Unity of command in the sense that former is concerned with functioning of the organization in respect of its grouping its activities or planning while later is concerned with personnel at all levels in the organization in terms of reporting relationship.

6. **Subordination of individual to general interest:**

While taking any decision, the general interest, i.e., the interest of the organization as a whole should be preferred to individual interests. Individual interest must be subordinate to general interest when there is a conflict between the two. Superiors should set an example in fairness and goodness.

7. **Remuneration:**

Management should try to give fair wages to the employees and employees should have the satisfaction of being rightly paid. Remuneration must give satisfaction to both the employers and employees.

8. **Centralization:**

Everything which goes to increase the importance of subordinate's role is decentralization and everything which goes to reduce it is centralization**.** When a single person controls the affairs of an organization, it is said to be complete centralisation.In small concerns, a single manager can supervise the work of the subordinates easily, while in a big organization, control is divided among a number of persons. Thus centralization is more in small concerns and it is less in big concerns. Fayol's opinion was that the degree of centralization should be fixed on the basis of capabilities of the persons.

9. **Scalar Chain:**

This is the chain of superiors from the highest to the lowest ranks. The order of this chain should be maintained when some instructions are to be passed on or enquiries are to be made It suggests that each communication going up or coming down must flow through each position in the line of authority. It can be short circuited only in special circumstances when its rigid following would be detrimental to the organization. For this purpose, Fayol has suggested gang Plank which is used to prevent the scalar chain from bogging down action.

10. **Order:**

This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place. In social order, there should be right man in the right place**.** Placement of men and materials should be properly made. Proper space should be made available where materials can be kept safely. Each man should be provided the work for which he is best suited.

11. **Equity:**

This principle requires the managers to be kind and just so that loyalty can be won from the subordinates. Equity is a combination of justice and kindness. The application of equity requires good sense, experience, and good nature for soliciting loyalty and devotion from subordinates.

12. **Stability of Tenure:**

Employees should be selected on the principles of stability of employment. They should be given necessary training so that they become perfect. There should not be frequent termination of employees. Stability of tenure is essential to get an employee accustomed to new work and succeeding in doing it well.

13. **Initiative:**

Within the limits of authority and discipline, managers would encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan. Initiative increases zeal and energy on the part of human beings.

14. **Esprit de Corps:**

This is the principle of 'Union is strength' and extension of unity of command for establishing team work. Managers should infuse the spirit of team work in their subordinates.

Fayol made it clear that these principles can be applied to most organizations, but these are not absolute principles. Organizations are at liberty to adopt those which suit them or to delete a few according to their needs.

Criticism

This theory has been criticized on the following fronts:

- The effect on Environment has not been taken care of in this theory.
- Human side has been completely ignored.

•There is lack of empirical evidence to support this theory.

•The theory states that Management can be taught but what should be taught has not been referred to.

•There are numerous classifications of Managerial functions, Fayol's management functions are not the only ones.

•The principles of management cannot be universally applied

Bureaucracy

Max Weber has introduced the concept of Bureaucracy.

Features of Bureaucracy

1. Division of Labor: Work isdivided according to ability and hence leads to specialization.If a person does the same type of work again and again he/she automatically gains specializes in that work and it takes less time to complete the task.

2. Technical Competence: Selection of employees is based on technical competence.Only those candidates should be selected who are technically sound for the job thus selection should be fair and unbiased.

3. Hierarchy of authority: A well defined hierarchy is maintained.

Each employee is aware about who his/ her boss is and from who he/ she is suppose to take orders and whom to report.

4. Record keeping: All the records are kept in written form. Keeping records in written form helps in keeping track of all the activities.

5. Rules & Regulations: Organizations work according to pre set rules. Every organization should define rules and regulations for better productivity adhering to those should be compulsory.

6. Impersonal Conduct: No informal or blood relations are promoted. Nepotism and brotherhood is strongly avoided to ensure only the right talent gets selected and hence, the productivity also increases.

Merits

1. Predictable: Since the rules are clearly defined the employees behavior is predictable, making the management process easier to implement.

2. Specialization: Division of work leads to specialization of labor. As all employeesknow what they are supposed to do.

3. Structure: A well defined hierarchy gives a structure to the organization. Every employees is aware that who his/ her superior is and also who his/ her subordinate is.

4. Rationality: As impersonal conduct is promoted it leads to ration decision making. Decision is based on facts and logic rather than emotions and gut feeling

Demerits

1. There is too much paper work and red tape.

2. Excessive rules and regulations make it difficult for the employees to be creative and innovative.

3. Employees become so used to the routines that they resist new ideas and hence promote rigidity.

4. In the wake of following the rules somewhere the goal of the organization is displaced.

5. Each department works like a water tight compartment giving rise to the problem of compartmentalization.

Neoclassical approach

Neo-Classical theory is called human relations and behavioural science approach. It is built on the base of classical theory. It modified, improved and extended the classical theory. Classical theory concentrated on job content and management of physical resources. Neo-Classical theory gave greater emphasis to man behind the machine and stressed the importance of individual as well as group relationship in the plant or workplace.

Neo-Classical approach may be analysed in three parts, namely —

1. Hawthorne Experiment
2. Human Relation Movement
3. Behavioural Approach.

The basic features of neoclassical approach are:

(i) The business organisation is a social system.

(ii) Human factor is the most important element in the social system.

(iii) It revealed the importance of social and psychological factors in determining worker productivity and satisfaction.

(iv) The behaviour of an individual is dominated by the informal group of being a member.

(v) The aim of the management is to develop social and leadership skills in addition to technical skills. It must be done for the welfare of the workers.

(vi) Morale and productivity go hand-to-hand in an organization.

Hawthorne Experiment

A famous series of studies of human behaviour in work situations was conducted at the Western Electric Company from 1924 to 1933. In 1927 a group of researchers led by Elton

Mayo and Fritz J. Roethlisberger and Dickson at the Harvard Business School were invited to join at Western Electric's Hawthorne plant near Chicago. The studies began as an attempt to investigate the relationship between the level of lighting in the workplace and the productivity of workers.

The initial experiment carried out over a period of three years sought to determine the effects of different levels of illumination on worker's productivity. The results of the experiments were ambiguous. When the test group's lighting conditions were improved, productivity tended to increase just as expected, although the increase was erratic.

But there was a tendency for productivity to continue to increase when the lighting conditions were made worse, besides lighting was influencing the worker's performance, as the work group was not able to maintain relationship between illumination and productivity.

In the second set of experiments, a smaller group of six female telephone operators was put under close observation and control. Frequent changes were made in working conditions such as hours of work, lunch break, rest periods, etc.

Again the results were ambiguous, as performance tended to increase even when the improvements in working conditions were withdrawn. It was found that socio-psychological factors exercised a greater influence on productivity and working conditions.

The third set of experiment attempted to understand how group norms affect group effort and output. It was noted that the informal organisation of workers controlled the norms established by the groups in respect of each member's output. The researcher concluded that informal work groups have a great influence and productivity.

In the subsequent experiments, Mayo and his associates decided that financial incentives, when these were offered, were not causing the productivity improvements. The researchers concluded that employees would work harder if they believed management was concerned about their welfare, and supervisors paid special attention to them. This phenomenon was subsequently labelled as the Hawthorne Effect.

These findings concerning human behaviours at work focused on the worker as an individual and considered the importance of caring for his feelings and understanding the dynamics of informal organisation of workers. The view point of Hawthorne Effect thus gave birth to human relations movement and provided the thrust toward democratization of organizational power structures and participative management. It ushered in an era of organizational humanism.

Human Relations Approach

Hawthorne experiment led to the development of human relations approach. It revealed the importance of social and psychological factors in determining workers, productivity and satisfaction. This movement is marked by informal grouping, informal relationship and leadership Pattern of communication and philosophy of industrial humanism. The values of human relation are exemplified in the work of Douglas McGregor and A. H. Maslow. Human relation approach is a social psychological approach and suggests business enterprise is a social system in which group norms play a significant role.

Financial incentive was less of a determining factor on a workers output than were group pressure and acceptance and the concomitant security. It ushered an era of organisational humanism. Managers would no longer consider the issue of organisation design without including effects on work groups, employees' attitudes, and manager-employee relationships. Elton Mayo, Mary Parker Follett and Douglas McGregor, Roethlisberger, Dickson, Dewey and Lewin, etc., were the main contributors that led to the development of Human Relations Movement.

Contributions of Human Relations Approach or Hawthorne Studies:

The human relations proposed the following points as a result of their findings of the Hawthorne experiments:

1. Social System:

The organisation in general is a social system composed of numerous interacting parts. The social system defines individual roles and establishes norms that may differ from those of the formal organisation.The workers follow a social norm determined by their coworkers, which defines the proper amount of work, rather than try to achieve the targets management thinks they can achieve, even though this would have helped them to earn as much as they physically can.

2. Social Environment:

The social environment on the job affects the workers and is also affected by them. Management is not the only variable. Social and psychological factors exercise a great influence on the behaviour of workers. Therefore, every manager should adopt a sound human approach to all organizational problems.

3. Informal Organization:

The informal organisation does also exist within the framework of formal organisation and it affects and is affected by the formal organisation.

4. Group Dynamics:

At the workplace, the workers- often do not act or react as individuals but as members of groups. The group determines the norms of behaviour for the group members and thus exercises a powerful influence on the attitudes and performance of individual workers. The management should deal with workers as members of work groups rather than as individuals.

5. Informal Leader:

There is an emergence of informal leadership as against formal leadership and the informal leader sets and enforces group norms. He helps the workers to function as a social group and the formal leader is rendered ineffective unless he conforms to the norms of the group of which he is supposed to be in-charge.

6. Communication:

Two-way communication is necessary because it carries necessary information downward for the proper functioning of the organisation and transmits upward the feelings and sentiments of people who work in the organisation.It will help in securing workers cooperation and. participation in the decision-making process. Workers tend to be more productive when they are given the opportunity to express their feelings, opinions and grievances. This also gives them psychological satisfaction.

7. Non-Economic Rewards:

Money is only one of the motivators, but not the sole motivator of human behaviour. The social and psychological needs of the workers are very strong. So, non-economic rewards such as praise, status, inter-personal relations, etc., play an important role in motivating the employees. Such rewards must be integrated with the wages and fringe benefits of the employees.

8. Conflicts:

There may arise conflicts between the organizational goals and group goals. Conflicts will harm the interest of workers if they are not handled properly. Conflicts can be resolved through improvement of human relations in the organisation.

Behavioural Science Approach:

Mayo and his colleagues pioneered the use of the scientific method in their studies of people in the work environment. Later researchers were more rigorously trained in the social sciences (psychology, sociology, and anthropology) and used more sophisticated research methods. Thus, these later researchers became known as ‘behavioural scientists’. Several sociologists and psychologists, e.g., A.H. Maslow, Douglas McGregor, Argyris, F. Herzberg, Rensis Likert and J.G. Likert, Kurt Lewin, Keith Davis and others have made significant contributions to the development of this approach.

Under Behavioural Science Approach, the knowledge was drawn from behavioural sciences. It focuses on human behaviour in organizations and seeks to promote verifiable propositions for scientific understanding of human behaviour in organisation behaviour and stresses the development of human beings for the benefit of both the individual and the organization. It is broad based and consisted of multiple concepts such as motivation, leadership, communication, group Dynamics, job redesign, organizational change and development, impact of technology on jobs, etc. It highlights the group and group relationships broadly which is the focus point of this theory to judge the group behaviour in the organisation.

The main propositions of this approach are as follows:

1. Behavioural Science Approach is an inter-disciplinary approach and integrates the knowledge drawn from different disciplines for the study of human behaviour.
2. This approach advocates that an organisation is a socio-technical system which consists of individuals and their interpersonal and social relationship with each other, and another side it consists of various techniques, methods and procedures used by them for performing jobs.
3. Behavioural Approach recognizes individual differences in terms of their personality, goals, beliefs, values and perception. Therefore, these matters are important for the organisation in case of motivation.
4. Behavioural Approach recognizes goal conflicts in the organisation and suggests reconciliation of the goals of the individuals and the organisation for the effectiveness and efficiency of the organisation.
5. This approach emphasized on informal group which exercise a significant influence on the attitudes, behaviour and performance of employees.
6. Behavioural Science approach stressed upon groups, group behaviour and group dynamics. Workers have their own informal groups and they have their own norms, cultures and communication system.

This is broad based and consists of multiple concepts such as motivation, leadership, communication, change and development, group dynamics, jobs redesign, etc. Behavioural approach provided a new insight to human behaviour. It integrates the different knowledge of different fields for the scientific study of human behaviour for the benefits of both the individual and the organisation.

Modern Approach:

The modern approach includes the following view points:

(i) Quantitative Approach,

(ii) Systems Approach, and

(iii) Contingency Approach.

Quantitative Approach:

The approach gained the prominence after the world war II, when British formed the operational research team-group of mathematicians, physicists and other scientists who were brought together to solve problems and operations. This approach is also known as 'Management Science Approach, Mathematical Approach, Decision Theory Approach or Operations Research.' It is based on the approach of scientific management. It offers a systematic and scientific analysis and solutions to the problems faced by managers. Today management Science Approach solving a problem begins when a mixed team of specialists from relevant disciplines is called to analyses the problems and propose a course of action to management.

The team constructs a mathematical model to simulate the problem. The model, shows in symbolic terms, all the relevant factors that bear on the problem and how they are interrelated. Eventually, management science team presents management with a rational basis for making a decision. The techniques commonly used for solving mathematical problems in decision-making are Linear programming, critical path method, PERT, Games Theory, Queuing theory, Break Even Analysis, etc. Simply, operation Research is regarded as the application of scientific methods and mathematical models for solving problems.

The basic postulates of Operation Research Method are as:

(a) Management is regarded as a problem-solving mechanism with the help of mathematical tools and techniques.

(b) Management problems can be described in quantitative or mathematical symbols, data and relationship.

(c) The different variables in management can be quantified and related to equation which can be solved.

(d) It covers decision making, system analysis, and some aspect of human behaviour.

(e) The team uses the basic mathematical models; operation research mathematical tools, simulation, games theory, PERT, CPM to solve the problems.

Over the years, a large number of quantitative techniques and operation research have been developed. The major contributors included in this school are Newman, Charles Hitch, Russell Ackoff, Robert Schlaifer, Herbert Simon, James March, R.M. Cyert and W.C. Churchman. The techniques of management science are a well-established part of the problem solving armory of most large organizations. The development of techniques has contributed significantly in developing orderly thinking in management and the study of various problems and talking optimum or best solutions to the problem. It provides a rational basis of decision making. It has been used as a planning and controlling tool in management.

System Approach:

The Systems Approach to management attempts to view the organisation as a unified, purposeful system composed of interrelated parts. The system Approach gives managers a way of looking at an organisation as a whole and as a part of the larger environment. System Theory tells us that the activity of any part of an organisation affects the activity of every other part. It is an-integrating approach which considers the management in its totality.

A system is defined as the assemblage of things connected or independent, so as to form a complex unity, a whole composed of parts in orderly arrangement according to plan. This has been defined as 'an organized of complex whole', an assemblage or combination of things or parts forming a complex unitary whole. The world is considered to be a system in which various national economy are sub-systems. In turn, each national economy is composed of its various industry, each industries is composed of firms, and of course, each firms is composed of various components such as production, finance, marketing, etc. Thus, each system consists of several such systems and, in turn, each subsystem further is composed of various components or sub-units; which are interrelated or interdependent each other.

The main elements of Systems Approach are as:

(a) An organization is a unified and integrative system consisting of several interrelated and interdependent parts. It gives a manager a way of looking at the organization as a whole.

(b) A system is considered an open system because it interacts with the environment. All organizations interact with their environment. It gets various resources from the environment and transforms them into outputs desired by the environment.

(c) The parts that make-up the whole of a system is called sub-systems. And each system in turn may be a sub-system of a still larger whole. All these sub-systems are functionally interacting and interdependent.

(d) Each system has a boundary that separates it from its environment. The boundaries are more flexible in an open environment. It maintains the clear and proper relationship between the system and its environment.

The system boundary is rigid in closed system. The boundary of a system classifies it into two parts – (a) open system, (b) closed system.

(e) Management as a system is dynamic which suggests-that equilibrium in the organisation always changing. The survival and growth in a dynamic environment demands an adaptive system which can continuously adjust to changing environment. Management tends to bring changes in the sub-systems of the organisation to cope up with the environmental challenges.

(f) Systems Approach follows the law of synergy. Synergy means that the whole is greater than the sum of its parts. In organizational terms, it means that as separate departments within an organisation cooperate and interact, they become more productive than if each had acted in isolation. The parts of a system become more productive when they interact with each other.

(g) Feedback is the key to system controls. As operation of the system proceeds, information is fed back to the appropriate people or perhaps to a computer so that the work can be assessed and, if necessary, corrected.

(h) Management as a discipline draws and integrates knowledge from various disciplines and schools of thought, like psychology, sociology, anthropology, mathematics, operation research, and so on.

Contingency Approach:

Contingency Approach shares a common ancestry with socio-technical system theories. The latest approach of management which integrates the various approaches is known as ‘contingency’ or ‘situational’ approach. Charles Kindleberger specified upon what it depends, and in what ways. It depends is an appropriate response to the important questions in management. The contingency approach was developed by managers, consultants, and researches who tried to apply the concepts of the major schools to read-life situations. They found that methods that were effective in one situation would not work in other situations

According to contingency approach, then, the task of managers is to identify which technique will in a particular situation under particular circumstances, and at a particular time, best contribute to the attainment of management goals. The basic theme of the contingency approach is that there is no single best way of managing application in all situations. The application of management principles and practices should be contingent upon the existing circumstances. Functional, behavioural, quantitative and systems tool of management should be applied situational. Management should deal with different situations in different ways. There cannot be a particular management action or design which will be appropriate for all situations.

Contingency Approach is based on generalizations of 'if' and 'then'. 'If' represents environmental variables which are interdependent. 'Then' represent management variables which are dependent on the environment.

The system approach emphasizes the interrelationships between parts of an organization. The contingency approach builds upon this perspective by focusing in detail on the nature of relationships existing between these parts. It seeks to define those factors that are crucial to a specific task or issue and to clarify the functional interactions between related factors. This approach is a long-sought synthesis that brings together the best of all segments of what Harold Koontz has called the "Management Theory Jungle."

The main features of contingency approach are as:

(a) The contingency approach stresses that there is no one best style of leadership which will suit every situation. The effectiveness of leadership style varies from situation to situation. Therefore, according to this approach, management is entirely situational.

(b) Contingency Approach is action-oriented as it is directed towards the application of systems concepts and the knowledge gained from other approaches. The contingency approach builds upon this perspective by following in detail on the nature of relationships existing between these parts.

(c) Contingency theory attempts to determine the predictable relationships between situations, actions and outcomes.

(d) Management should match or 'fit' its approach to the requirements of the particular situation. Management has to exercise the action subject to environmental changes.

(e) Contingency approach provides significant contribution in organisational design. It suggests that no organizational design can be suitable for all situations, rather, the suitable design is one determined, keeping in view the requirements of environment, technology, risk and people. Contingency approach is useful orientation in management.

It emphasizes the multivariate nature of organisations and attempts to understand how organizations operate under varying conditions in specific circumstances. This theory suggests organization design and actions which are most appropriate for specific situation.

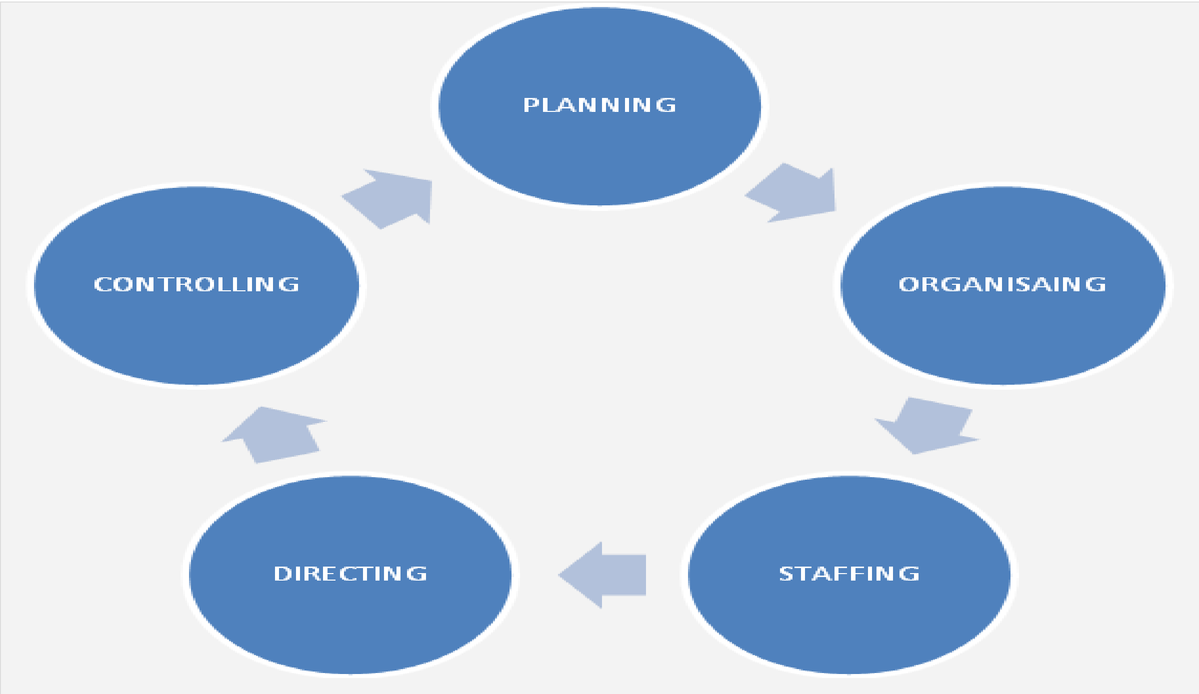
Module II

MANAGEMENT PROCESS

PROCESS/ SCOPE /FUNCTIONS OF MANAGEMENT

The management process involves performance of certain fundamental functions. One useful classification of managerial function has been given by Luther Gulick, who abbreviating them using the word POSDCORB – Planning, Organizing, Staffing, Directing, Co- Ordinating, Reporting and Budgeting. George R Terry has mentioned four fundamental functions of management, Planning, Organizing, Actuating and Controlling. In short, different scholars in the field of management have their own classification of functions of management. Some scholars add few functions and delete some other functions.

Briefly, there are 5 core functions that constitute scope of management, functions or the process of management. They are Planning, Organizing, Staffing, Directing and Controlling.



1. Planning

The first management function in scope of management functions that managers must perform is planning. Within this function plan is created to accomplish the mission and vision of the business entity. Under the mission is considered the reason for the establishment, while under the vision is considered where business entity is aiming. The plan must define the time component and to plan necessary resources to fulfill the plan. Accordingly plan of organization is developed together with required personnel; method of leading people is defined and controlling instruments for monitoring the realization of plans. The guiding idea in the making of mentioned items is the realization of the objectives and fulfilling the mission and vision of the business entity. Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change.

Each organization should make a good first step, a good plan, because without it the organization takes a great risk of mistakes and thus compromising their business.

2. Organizing

Organizing is the second function manager, where he had previously prepared plan, establish an appropriate organizational structure in business organization. In part, it determines the ranges of management, type of organizational structure, authority in the organization, types and ways of delegating and developing lines of communication. The organization and its subsystems are placed under the plan, which was created as part of functions, ie planning. Organizing basically involves analysis of activities to be performed for achieving organizational objectives, grouping them into various departments and sections so that these can be assigned to various individuals and delegating them appropriate authority so that they can carry their work properly. In performing construction and organization in particular must pay attention to formal and informal lines of communication, because if these lines are not adequately monitored the possibility of collision between them, resulting in delays and / or even failure to achieve the goal.

3. Staffing

Staffing, as the next function of management, consists of a selection of appropriate staff for the organization to reach a goal / goals easier and more efficient. According to today’s experience is well known that it is difficult to financially evaluate, quality and efficient staff. Staff is one of the more valuable, if not the most valuable resource in any successful organization. For this reason, good planning of personnel policies, as a function of management, and corresponding execution of that selection of high quality people is becoming increasingly important. The task of this management function is to set rules related to employment and personnel policies. Staffing basically involves matching jobs and individuals. This may require a number of functions like manpower planning, recruitment, selection, training and development, performance appraisal, promotion transfer, etc.The responsibility for staffing rests on all managers at all levels of the organization. It increases as one goes up in the organizational hierarchy. In order to facilitate the effective performance of staffing function, personnel department is created in large organizations.

4. Directing

Direction is an important managerial function through which management initiates actions in the organization. It is a function of management which is related with instructing, guiding and inspiring human factor in the organization to achieve organization objectives. It is a function to be performed at every level of management. Direction is a continuous process and it continues throughout the life of the organization It initiates at the top level in the organization and follows to the bottom through the hierarchy. It emphasizes that a subordinate is to be directed by his own superior only. Direction has dual objectives. On the one hand, it aims in getting things done by subordinates and, on the other, to provide superiors opportunities for some more important work which their subordinates cannot do.

5. Controlling

Control is any process that guides activity towards some pre-determined goals. It can be applied in any field such as price control, distribution control, pollution control etc.It is an element of management process and is defined as the process of analyzing whether actions are being taken as planned and taking corrective actions to make these to conform to planning. Control process tries to find out deviations between planed performance and actual performance and to suggest corrective actions wherever these are needed. Controlling is a forward looking function as one can control the future happenings and not the past. Every manager has to perform the control function in the organization. It is a continuous process and control system is a co-ordinate integrated system.

Performance of various managerial functions in an integrated way ensures fair degree of co-ordination among individuals and departments. Co-ordination is related with the synchronization of efforts which have amount, time and direction attributes. Co-ordination is thus treated as the essence of management.

MANAGER

A Manager is the person responsible for planning and directing the work of a group of individuals, monitoring their work, and taking corrective action when necessary. For many people, this is their first step into a management career.

Managers may direct workers directly or they may direct several supervisors who direct the workers. The manager must be familiar with the work of all the groups he/she supervises, but does not need to be the best in any or all of the areas. It is more important for the manager to know how to manage the workers than to know how to do their work well.

A manager may have the power to hire or fire employees or to promote them. In larger companies, a manager may only recommend such action to the next level of management. The manager has the authority to change the work assignments of team members.

Basic roles and skills of manager

A manager wears many hats. Not only is a manager a team leader, but he or she is also a planner, organizer, cheerleader, coach, problem solver, and decision maker — all rolled into one. And these are just a few of a manager's roles. In addition, managers' schedules are usually jam-packed. Whether they're busy with employee meetings, unexpected problems, or strategy sessions, managers often find little spare time on their calendars. (And that doesn't even include responding to e-mail)

In his classic book, *The Nature of Managerial Work,* Henry Mintzberg describes a set of ten roles that a manager fills. These roles fall into three categories:

- **Interpersonal:** This role involves human interaction.
- **Informational:** This role involves the sharing and analyzing of information.
- **Decisional:** This role involves decision making.

Table 1 contains a more in-depth look at each category of roles that help managers carry out all five functions described in the preceding “Functions of Managers” section.

TABLE 1 Mintzberg's Set of Ten Roles

Category	Role	Activity
Informational	Monitor	Seek and receive information; scan periodicals and reports; maintain personal contact with stakeholders.
	Disseminator	Forward information to organization members via memos, reports, and phone calls.
	Spokesperson	Transmit information to outsiders via reports, memos, and speeches.
Interpersonal	Figurehead	Perform ceremonial and symbolic duties, such as greeting visitors and signing legal documents.
	Leader	Direct and motivate subordinates; counsel and communicate with subordinates.
	Liaison	Maintain information links both inside and outside organization via mail, phone calls, and meetings.
Decisional	Entrepreneur	Initiate improvement projects; identify new ideas and delegate idea responsibility to others.
	Disturbance handler	Take corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environments.
	Resource allocator	Decide who gets resources; prepare budgets; set schedules and determine priorities.
	Negotiator	Represent department during negotiations of union contracts, sales, purchases, and budgets.

Not everyone can be a manager. Certain skills**,** or abilities to translate knowledge into action that results in desired performance, are required to help other employees become more productive. These **skills** fall under the following categories:

- **Technical:** This skill requires the ability to use a special proficiency or expertise to perform particular tasks. Accountants, engineers, market researchers, and computer scientists, as examples, possess technical skills. Managers acquire these skills initially through formal education and then further develop them through training and job experience. Technical skills are most important at lower levels of management.
- **Human:** This skill demonstrates the ability to work well in cooperation with others. Human skills emerge in the workplace as a spirit of trust, enthusiasm, and genuine involvement in interpersonal relationships. A manager with good human skills has a high degree of self-awareness and a capacity to understand or empathize with the feelings of others. Some managers are naturally born with great human skills, while others improve their skills through classes or experience. No matter how human skills are acquired, they're critical for all managers because of the highly interpersonal nature of managerial work.
- **Conceptual:** This skill calls for the ability to think analytically. Analytical skills enable managers to break down problems into smaller parts, to see the relations among the parts, and to recognize the implications of any one problem for others. As managers assume ever-higher responsibilities in organizations, they must deal with more ambiguous problems that have long-term consequences. Again, managers may acquire these skills initially through formal education and then further develop them by training and job experience. The higher the management level, the more important conceptual skills become.

LEVELS OF MANAGEMENT

The term "**Levels of Management**' refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. Top level / Administrative level
2. Middle level / Executory
3. Low level / Supervisory / Operative / First-line managers

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:

1. **Top Level of Management**

   It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

   The role of the top management can be summarized as follows -

   a. Top management lays down the objectives and broad policies of the enterprise.
   b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
   c. It prepares strategic plans & policies for the enterprise.
   d. It appoints the executive for middle level i.e. departmental managers.
   e. It controls & coordinates the activities of all the departments.
   f. It is also responsible for maintaining a contact with the outside world.
   g. It provides guidance and direction.
   h. The top management is also responsible towards the shareholders for the performance of the enterprise.

2. **Middle Level of Management**

   The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as

   a. They execute the plans of the organization in accordance with the policies and directives of the top management.
   b. They make plans for the sub-units of the organization.
   c. They participate in employment & training of lower level management.
   d. They interpret and explain policies from top level management to lower level.

e. They are responsible for coordinating the activities within the division or department.
f. It also sends important reports and other important data to top level management.
g. They evaluate performance of junior managers.
h. They are also responsible for inspiring lower level managers towards better performance.

3. **Lower Level of Management**

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to *R.C. Davis*, “Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management. Their activities include -

a. Assigning of jobs and tasks to various workers.
b. They guide and instruct workers for day to day activities.
c. They are responsible for the quality as well as quantity of production.
d. They are also entrusted with the responsibility of maintaining good relation in the organization.
e. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
f. They help to solve the grievances of the workers.
g. They supervise & guide the sub-ordinates.
h. They are responsible for providing training to the workers.
i. They arrange necessary materials, machines, tools etc for getting the things done.
j. They prepare periodical reports about the performance of the workers.
k. They ensure discipline in the enterprise.
l. They motivate workers.
m. They are the image builders of the enterprise because they are in direct contact with the workers.

PLANNING

Meaning

Planning is the most crucial and foremost function of management. It is defined as the process of setting goals and choosing the means to achieve those goals. A sound planning is inperative for the successful achievement of the goals in the desired direction. It is rightly said "well plan is half done". It involves setting of objectives and goals, designing appropriate strategy and cource of action, and framing plans and procedure etc for execution of the proposed activities under the project.

Definitions

According to George R Terry, "Planning is the selecting and relating of facts and making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results."

According to Henry Fayol, "Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the predetermined goals."

Generally speaking, planning is deciding in advance what is to be done, that is, a plan is a projected course of action.

Features of Planning

1. Planning is looking in to the future
2. It involves predetermined lines of action
3. Planning is a continuous process
4. Planning integrates various activities of an organization
5. Planning is done for a specific period
6. It discovers the best alternatives out of available alternatives
7. Planning is a mental activity
8. Planning is required at all levels of Management
9. It is the primary functions of Management]
10. Growth and prosperity of any organization is depends upon planning

Objectives of Planning

Planning in organization serve to realize the following objectives:

1. To reduces uncertainty
2. To bring co-operation and co-ordination in the organisation
3. To bring economy in operations

4. Helps to anticipate unpredictable contingencies
5. To achieve the pre determined goals
6. To reduce competition.

Advantages of Planning

Planning helps the organization to achieve its objectives easily. Some of the advantages of planning are given below:

1. It helps the better utilization of resources
2. It helps in achieving the objectives
3. It helps in achieving economy in operations
4. It minimizes future uncertainties
5. It improves competitive strength
6. It helps effective control
7. It helps to give motivation to the employees
8. It develop rationality among management executives
9. It reduces red tapism
10. It encourages innovative thought
11. It improves the ability to cope with changes.
12. It create forward looking attitude in Management
13. It helps in delegation of authority
14. It provide basis for control

Planning Process

It is not necessary that a particular planning process is applicable for all organization and for all types of plans because the various factors that go into planning process may differ from plan to plan or from one organization to another.

Perception of Opportunities:- It is the beginning of planning process. This Provides an opportunity to set the objectives in real sense. It helps to take the advantage of opportunities and avoid threats. Once the opportunities are perceived, the other steps of planning are undertaken.

1. **Establishing the objectives**:- This stage deals with the setting of major organisational and unit objectives. The organizational objectives should be specified in all key areas. Once organizational objectives are identified, objectives of lower units can be identified in that context.

2. **Establishing planning premises**:- It means deciding the condition under which planning activities will be undertaken. Planning premises may be external or internal. The nature of planning premises differs at different levels of planning.
3. **Identification of alternatives**:- This point says that a particular objectives can be achieved through various actions. Since all alternatives cannot be considered for further analysis, it is necessary for the planner to reduce the number of alternatives.
4. **Evaluation of alternatives**: - Various alternatives which are considered feasible may be taken for detailed evaluation. It is evaluated on the basis of contribution of each alternative towards the organizational objectives in the light of its resources and constraints.
5. **Selection of alternatives**: - After the evaluation, the most fit one is selected. At the same time a planner must be ready with alternatives, normally known as contingency plans, which can be implemented in changed situation.
6. **Developing supporting plans**: - After formulating the basic plan, various plans are devised to support the main plan. These plans are known as derivative plans.
7. **Establishing sequence of activities**: - After formulating basic and derivative plans, the sequence of activities is determined, so that plans are put in to action.
8. **Devising a mechanism of Project monitoring and Evaluation**.

Types of Plans

A manager is required to develop a number of plans to achieve the organizational objectives. Three major types of plans can help managers to achieve their organizational goals.

1. Operational Plans
2. Tactical Plans
3. Strategic Plans

1.Operational Plans: It is one that a manager uses to accomplish his or her job responsibilities. In other words, it is the plan used to achieve operational goals. Operational goals are the specific result expected from the departments, work groups and individuals. Operational plans may be single use plans or ongoing plans.

a. Single use plans: It is applied to those activities which do not recur or repeat. A special sales programme is an example of single use plan, because , it deals with the who, what, where, how and how much of an activity. It includes:

(i)Budget: It is a statement of expected results expressed in quantitative terms for a definite period of time. It is prepared keeping in view the objectives , resources and of the enterprise. It is a useful control device and helpful in co-coordinating the activities. It predicts sources and amounts of income and how much they are used for a specific project.

(ii)Programme: It is a sequence of activities to be undertaken for implementing the policies and achieving the objectives of an organization. It tells what is to be done to achieve the goals.

b. **Continuing or ongoing plans**: These are usually made once and retain their value over a period of years while undergoing periodic revision and updates. The following plans are included in this category.

(i)Policy: It provides broad guidelines for managers to follow when dealing with important areas of decision making. It is basically a general statement that explains how a manager should attempt to handle routine management responsibilities. They are standing answers to recurring questions.

(ii)Procedures: A procedure is a set of step by step direction that explains how activities or task are to be carried out. An established procedure ensures uniformity of action. Most organization has procedures for purchasing supplies and equipments. By defining steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.

(iii)Rules: It is an explicit statement that tells an employee, what he or she can and cannot do. Rules are definite and rigid. Rules are “do” and “don’t” statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For eg. Rules about absenteeism permit supervisors to make discipline decision rapidly and with a high degree of fairness.

2. Tactical Plans: These are plans which usually span one year or less. It is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work.

3. Strategic Plan: It is an outline of steps designed with the goals of the entire organization in mind, rather than with the goals of specific divisions. It look ahead over the four, five or even more years to move the organization from where it currently to where it wants to be. Top managements strategic plan for the entire organization becomes the frame work and sets dimension for the lower level planning.

Contingency Plan: These plans are used when the original plan proves inadequate because of changing circumstances.

Limitations of Planning

Following are the limitations of Planning

1. Time consuming: The management cannot prepare any plan without taking much time . A number of steps are required to complete planning process.
2. Costly: It is considered as an expensive process. A lot of money is to be spent for collection, analysis and editing of data.
3. False sense of security: The management people think that there is security, if planning is properly adhered. But this is not true in practice.
4. Technological changes: The management is not in a position to change its policies according to technological changes. It will affect the planning process.
5. Political climate: A change in the political climate leads to a change in the policy and attitude towards different financial aspects. It will affect the planning process.
6. Lack of reliable data: The success of all the plans are based on the availability of reliable data. It is very difficult to procure reliable data.
7. Initiative: Planning compels everyone to work as per plan. It reduces the scope for initiation from the part of employees and they will become more mechanical.
8. Limitations of forecasts: Planning is fully based on forecasts. If there is any defect in forecasts, the planning will lose its value.

MANAGEMENT BY OBJECTIVES (MBO)

MBO is both a philosophy and approach of management. It isa process whereby superiors and subordinates jointly identify the common objectives, set the results that should be achieved by the subordinates, assess the contribution of each individuals, and integrate individuals with the organization so as to make he best use of organizational resources. Thus MBO is a system for integrating managerial activities.

According to Koontz and O' Donnel, "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

The following are the important features of MBO

1. MBO is an approach and philosophy to management and not merely a technique.

2. MBO gives emphasis opn objectives.
3. MBO is concerned with the participation of concerned managers I objective setting and performance reviews.
4. MBO reviews performance periodically.
5. Objectives in MBO provide guidelines for appropriate systems and procedures.
6. MBO establishes a community of interest and a shared sense of vision among all the managers.

Process of MBO

The following are the stages involved in the MBO process

1. Setting of organizational objectives

   The first step in MBO is the definition of organizational objectives and purpose. Usually the objective setting starts at the top level of organization and moves downward to the lowest managerial levels. The setting objective include defining the purpose of organization, long range and short range organizational objectives, divisional or departmental objective an d individual manager's objectives.

2. Identification of Key Result Areas

   Organizational o0bjectves provide the basis for the identification of Key Result Areas (KRAs). KRAs are derived from thr expectations of various stakeholders and they indicate the priorities for organizational performance such as profitability, market standing, innovation, productivity, social responsibility etc.

3. Setting subordinates' objectives

   The achievement of organizational goals is only possible through individuals. So each individual manager must know in advance what he is expected to attain. Every manager in the managerial hierarchy is both superior and subordinate (except the managers at top and bottom level). The process of objective setting begins with superior's proposed recommendations for his subordinate's objectives. In turn, the su8bordinate state his own objectives as perceived by him. Thereafter the final objectives for the subordinates are set by the mutual negotiation between superiors and subordinates.

4. Matching resources with objectives

   Resource availability is an important aspect of objective setting because it is the proper application of resources which ensures objective achievement. So there should be a matching between objectives and resources.

5. Appraisal

   Appraisal tries to measure whether subordinate is achieving his objective or not. Appraisal is undertaken as an on-going process with a view to find out deficiency in the working and also to remove it promptly in order to attain the objectives of organization.

6. Recycling

   Though appraisal is the last aspect of MBO process, it is used as an input for recycling objectives and other actions. Recycling process include setting of objectives at various levels, action planning on the basis of those objectives and performance review. Each of these three aspects gives base for others. This process goes on a continuous basis.

Benefits of MBO

The benefits of MBO can be seen as follows

1. MBO helps in better managing the orgaisational resources and activities.
2. Since organizational objectives are defined very clearly in MBO, they help in relating the organization with its environment.
3. MBO provides greatest opportunity for personnel satisfaction because opf their participation in objective setting and rational performance appraisal.
4. MBO stimulates o9rganisational change and provides a frame work and guidelines for organizational change.

Problems and Limitations of MBO

Each organization is likely to encounter specific problems in MBO practice but some of the common problems are as follows

1. MBO is a time consuming and costly process
2. Manager’s failure to teach MBO philosophy
3. Problems in objective setting
4. more emphasis on short term objectives
5. Danger of inflexibility in the organization in a dynamic environment
6. MBO creates frustration among managers

In spite of thee obstacles and problems in MBO, it continues to be a way of managing organization.

DECISION MAKING

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager. Decisions play important roles as they determine both organizational and managerial activities. A decision can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning.

Decisions are made at every level of management to ensure organizational or business goals are achieved. Further, the decisions make up one of core functional values that every organization adopts and implements to ensure optimum growth and drivability in terms of services and or products offered.

As such, decision making process can be further exemplified in the backdrop of the following definitions.

Definition of Decision Making

According to the Oxford Advanced Learner's Dictionary the term decision making means - the process of deciding about something important, especially in a group of people or in an organization.

Trewatha & Newport defines decision making process as follows: "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".

As evidenced by the foregone definitions, decision making process is a consultative affair done by a comity of professionals to drive better functioning of any organization. Thereby, it is a continuous and dynamic activity that pervades all other activities pertaining to the organization. Since it is an ongoing activity, decision making process plays vital importance in the functioning of an organization. Since intellectual minds are involved in the process of decision making, it requires solid scientific knowledge coupled with skills and experience in addition to mental maturity.

Further, decision making process can be regarded as check and balance system that keeps the organisation growing both in vertical and linear directions. It means that decision making process seeks a goal. The goals are pre-set business objectives, company missions and its vision. To achieve these goals, company may face lot of obstacles in administrative, operational, marketing wings and operational domains. Such problems are sorted out through comprehensive decision making process. No decision comes as end in itself, since in may evolve new problems to solve. When one problem is solved another arises and so on, such that decision making process, as said earlier, is a continuous and dynamic.

A lot of time is consumed while decisions are taken. In a management setting, decision cannot be taken abruptly. It should follow the steps such as

1. Defining the problem
2. Gathering information and collecting data
3. Developing and weighing the options
4. Choosing best possible option
5. Plan and execute
6. Take follow up action

Since decision making process follows the above sequential steps, a lot of time is spent in this process. This is the case with every decision taken to solve management and administrative problems in a business setting. Though the whole process is time consuming, the result of such process in a professional organization is magnanimous.

ORGANISING

Meaning and Definition

The process of organizing involves establishing an intentional structure of roles for the staff at all levels of hierarchy in the organization. It is the function of identifying the required activities, grouping them into jobs, assigning jobs to various position holders, and creating a network of relationship, so that the required functions are performed in a co-ordinated manner, leading to the accomplishment of desired goals.

According to Koonts O Donnel. “Organizing involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments, and the provision of authority delegation and Co-ordination.”

According to GR Terry, “Organizing is the establishing of effective behavioral relationship among persons so that they may work together effectively and gain personal satisfaction in doing selected tasks under given environmental conditions for the purpose of achieving some goal or objectives.”

Steps in Organizing

The logical sequence of steps in organizing is mentioned below:-

1. Establishing objectives
2. Designing Plans and Policies
3. Identifying specific activities
4. Grouping activities according to available resources
5. Delegating the authority necessary to perform the activities.
6. Tying the groups together through authority relationship and communication.

Functions of Organisation

The following are the important functions of organization

1. **Determination of activities**:- It includes the deciding and division of various activities required to achieve the objectives of the organization. The entire work is divided into various parts and sub parts.
2. **Grouping of activities** :- Here, identical activities are grouped under one department.
3. **Allotment of duties to specified persons**:- For the effective performance, the grouped activities are allotted to specified persons.
4. **Delegation of authority**:- Assignment of duties should be followed by delegation of authority. It is difficult to perform the duties effectively, if there is no authority to do it.
5. **Defining relationship**:- When a group of person is working together for a common goal, it is necessary to define the relationship among them in clear terms.
6. **Co- ordination of various activities**:- The delegated authority and responsibility should be co-ordinated by a responsible person.

Principles of Organisation

The following are the important Principles to be followed by management for the success of an organization.

1. **Principle of definition**: - It says that, it is necessary to define and fix the duties, responsibilities and authority of each work. In addition to that the organizational relationship of each worker with others should be clearly defined.
2. **Principles of Objectives**:- The objectives of different departs should be geared to achieve the main objective of the organization.

3. **Division of work**:- A work should be assigned to a person according to his educational qualifications, experience, skill and interest. It will result in attaining specialization in a particular area.
4. **Principles of continuity**: It is essential that there should be a re operation of objectives, re adjustment of plants and provision of opportunities for the development of future management. This process is taken over by every organization periodically.
5. **Principles of Span of Control**: This principles determines the number of subordinates a superior can effectively manage.
6. **Principles of Exception**: Here, all the routine decisions are taken by the subordinates; senior managers will only deal with exceptional matters. It is known as management by exception.
7. **Principles of flexibility**: The organizational set up should be flexible to adjust to the changing environment of business.
8. **Principles of Unity of Direction**: All departmental goals are tuned to achieve common goal. So there should be co-ordination of all the activities.
9. **Principles of Balance**: There are several units functioning separately under on organizational set up. So, it is essential that the sequence of work should be arranged scientifically.
10. **The scalar principle**: It says that each and every person should know who is his superior and to whom he is answerable.
11. **Principle of efficiency:** The work should be completed with minimum members, in less time, with minimum resources and with the right time.
12. **Delegation of Authority**: Authority should be delegated to the subordinate for the successful completion of assigned job.
13. **Principles of responsibility**: Each person is responsible for the work completed by him. So the responsibility of the subordinates should be clearly defined.
14. **Principles of Uniformity**: The work distribution should be in such a manner that there should be an equal status and equal authority and powers among the same line officers.
15. **Simplicity and Accountability**: The structures of the organization should be simple and the higher authorities are accountable for the acts of their subordinates

Classification of Organization

1. **Formal Organisation**: It is an organizational structure which clearly defines the duties, responsibilities, authority and relationship as prescribed by the top management. It represents the classification of activities within the enterprise, indicate who reports to whom and explains the vertical flow of communications which connects the chief executive to the ordinary workers.

2. **Informal Organisation**: It is an organizational structure which establishes the relationship on the basis of the likes and dislikes of officers without considering the rules, regulations and procedures. The friendship, mutual understanding and confidence are some of the reasons for existing informal organization.

Differences between formal and informal Organisation:

Formal Organisation	**Informal Organisation**
1.It is created deliberately	1. It is spontaneous.
2.Authority flows from top to bottom	2. Informal authority flows from top to bottom or horizontally.
3.It is created for technological purpose	3. It arises from man's quest for social satisfaction
4.It is permanent and stable	4. There is no such permanent nature and stability
5.It gives importance to terms of authority and function.	5. It gives importance to people and their relationship.
6. It arises due to delegation of authority	6. It arises due to social interaction of people
7.Duties and responsibilities of workers are given in writing	7. No such written rules and duties.
8. Formal organization may grow to maximum size	8. Informal organisation tends to remain smaller.

Organisation Structure

Organisation is designed on the basis of principles of division of labor and span of management. The success of the organization depends upon the competence and efficiency of the officers. It is necessary to chalk out line of authority among the people working in an organization.

Types of Organizational Structure

A brief explanation of the important types of organizations is given below:-

Line Organisation

Under Line organization, each department is generally a complete self contained unit. In this type of organization, the line authority flows from top to bottom vertically. It clearly identifies authority, responsibility and accountability at each level, departmental heads are given full freedom to control their department. This type of organization is followed in the army on the same pattern. So, it is also called military organization.

Features of Line organization

1. It consist of vertical direct relationship
2. Authority flows from top to bottom
3. Operations of this system is very easy.
4. It facilitate to know from whom one should get orders and to who one should give orders
5. Existence of direct relationship between superior and subordinates
6. The superior will take decisions within the scope of his authority.

Line and Staff Organisation

In this type of organization Line officers have authority to take decisions and implement them, but the staff officers will assist them while taking decisions. The function of staff officers are only an advising one. They should advise and help line managers to take proper decisions. In the fast developing industrial world, the line officers are not in a position to acquire all the technical knowledge, which are necessary for taking right decisions. That gap may be bridged with the help of staff officers. The staff officers may be experts in a particular field.

Features of Line and Staff Organisation

1. Authority flows from top to bottom
2. Line Officers will takes decisions on the basis of suggestions given by staff officers
3. Staff officers have no power to take decisions and no control over subordinates.
4. The workers get the instructions only from the line officers

Advantages of Line and Staff Organisation:

1. A line officer can take sound decisions on the basis of proper advice from the staff officer.
2. The work load of line officers would be reduced to some extent,
3. It promote the efficient functioning of the line officers
4. The principles of unity of command are followed in the line and staff organization.
5. A very good opportunity is made available to the young person to get training.
6. It facilitates the workers to work faster and better.
7. It enables the organization to effectively utilize the staff officer's experience and advice.

Disadvantages of Line and Staff Organisation

1. If the powers of authority is not clearly defined, it will lead to confusion though out the organization.
2. The line officers may reject the advice from staff officers without assigning any reason.
3. The staff officers may under estimate the powers of line officers.
4. The staff officers are not involved in the actual implementation of the programme.
5. The staff officers are not responsible if favorable results are not obtained.
6. The difference of opinion between line officers and staff officers will defeat the very purpose of specialization.
7. The line officers may misunderstand the advice given by staff officers.

Functional Organisation

In this type of organizations, specialists are appointed in top position through out the organization. Various activities of the enterprise are classified according to functions and functional heads will give directions related to his functions. Workers, under functional organization, receive instructions from various specialists.

Characteristics of Functional Organisation

1. The work is divided according to specified functions.
2. Authority is given to specialists to give orders and instructions in relation to specific functions.
3. The decision is taken only after making consultations with the functional authority relating to his specialized area.
4. The executives and supervisors discharge the responsibilities of functional authority.

Advantages of Functional Organisation

The following points will explain the benefits of functional organization.

1. **Benefit of specialization**:- In this type of organization, each work is performed by a specialist. It helps to enhance the efficiency of the organization.
2. **Reducing work load**: Each person is expected to look after only one type of work. It reduces the unnecessary work allotted to them.
3. **Relief to line executives**: Under functional organization, the instructions are given by the specialists directly to the actual workers. Hence, the line executives do not have any problem regarding the routine work.
4. **Mass production**: Large scale production can be achieved with the help of specialization and standardization.
5. **Flexibility**: Any change in the organization can be introduced without any difficulty.

DELEGATION OF AUTHORITY

Authority

It is the power to make decisions which guide the actions of others. In other words, it is the power to give orders and make sure that these orders are obeyed. In order to finish the work in time, there is a need to delegate authority and follow the principles of division of labour.

According to Koonts and O'Donnell, " Authority is the power ot command others to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental purposes."

According to Luis Allen,"It is the sum of powers and rights entered to make possible the performance of the work delegated."

Responsibility

It is the obligation to do something. In other words, it is the obligation to perform the tasks, functions, or assignments of the organization. The essence of responsibility is obligation. If a person is entrusted with any work, he should be held responsible for the work that he completes

According to Davis, ”Responsibility is the obligation of individual to perform the assigned duties to the best of his ability under the direction of his executive leader.”

In the words of Theo Haimann,” Responsibility is the obligation of subordinates to perform the duty as required by his superior.”

Delegation of Authority

Delegation is a process which enables a person to assign a work to others with adequate authority to do it. The authority can be delegated but not the responsibility. Delegation of authority is considered to be one of the most important methods of training subordinates and building morals. It is acknowledged that delegation of authority is one of the surerest and best methods of getting better results.

Principles of Delegation

The following are the important principles of delegation.

1. **Delegation to go by results**: The superiors should clearly know what he expects from the subordinates before delegation of authority. It should be noted that the objective of the organization are to be accomplished in time.
2. **Non-delegation of responsibility**: Assigning duties does not mean delegation of responsibilities. A superior can delegate authority but not responsibility.
3. **Parity of authority and responsibility:** Responsibility without authority will make a person an inefficient one. So there should be a proper balance between authority and responsibility.
4. **Unity of command:** A subordinate should be assigned duties and responsibilities only by one superior and he is accountable only to the concerned superior.
5. **Definition of limitation of authority:** There should be a written manual which help a person to understand the authority in right direction.

Steps in Successful Delegation Process

The following steps will help the successful delegation of authority.

1. **Deciding the goals to be achieved:** The purpose of delegation is to enable efficient accomplishment of organizational objectives. If it is not clearly defined, the subordinate may hesitate to accept the authority.

2. **Establishment of definite responsibility**: The authority and responsibility of each subordinate should be clear in terms. It helps to avoid duplication of authority.
3. **Determining what to delegate**: This will necessitate the evaluation of the capacity of the individual and needs of the organization.
4. **Training:** Subordinate should be properly trained in handling delegated work.
5. **Control system:** There should be a suitable control system to keep a careful watch over the performance of the subordinates.

Types of Delegation

A brief explanation of the different types of delegation is given below:

1. **General delegation:** It means granting authority to the subordinate to perform various managerial functions and exercise control over them.
2. **Specific delegation:** Here, orders or instructions are delegated to a particular person specifically.
3. **Written delegation:** When authority is delegated in written words it is known as written delegation.
4. **Unwritten delegation:** If authority is delegated on the basis of custom or usage etc, it is known as unwritten delegation.
5. **Formal delegation:** If duties and authority are shown in the organizational structure of the enterprise, then it is called formal delegation.
6. **Informal delegation:** If a person exercising authority without getting it from the top management in order to perform his assigned duties, it is a case of informal delegation.
7. **Downward delegation:** It is a case where the superior delegate duties and authority to his immediate sub ordinate.
8. **Sideward delegation:** A person delegate authority to another person who is also in the same rank as he is in the organization.

CENTRALISATION AND DECENTRALISATION

Centralization: It means concentration of decision making authority at the top level management. All the decision are taken by the top management without delegating to the subordinate. As far as a big organization is concerned, it is not possible to run the organization for long period without delegating the authority.

Decentralization: In decentralization, each section has its own workers to perform activities within the department. According to Allen," Decentralisation refers to the systematic efforts to delegate to the lowest levels all authority except that which can only be exercised at central point."

Advantages of Decentralization

1. It saves the time of top executive and give relief to the top executive
2. Decentralisation gives the subordinates the freedom to act and make some decisions. It gives him a feeling of status and recognition.
3. It helps to coordinate the activities of the organization in a better way.
4. It helps to take prompt and quick action at the earliest.
5. It is a best devise to develop future business executives

Disadvantages of Decentralisaiton

1. It is suitable only to a big business enterprise.
2. It creates problem of co-ordination among various levels
3. There is a chance to miss the uniformity in policies and procedures.

Span of Control

Span of management or Span of control means the number of people managed efficiently by a single officer in an organization. It is an accepted truth that large number of subordinates cannot be supervised and their efforts coordinated effectively by a single executive. Only limited numbers of persons are allocated to the executive for dividing the work. The limit of number of members for span of control may be increased or decreased according to the levels of management. According to Urwick, the ideal number of subordinates is four in case of higher level management and eight to twelve in case of lower level management.

Factors affecting the span of Control

The following are some of the factors which influence the span of control.

1. **Nature of work: I**f the works are repetitive in nature, the supervisor can control a large number of subordinates and vice versa.
2. **Leadership qualities of the supervisor**: If the supervisor has more skill and capacity to control the subordinates, the span of management may be increase and vice-versa.
3. **Capacity of the subordinates:** If the subordinates have enough talent to perform the work assigned to them, the manager or the supervisor can control more number of subordinates.

4. **Delegation of authority**: If the authority delegates the powers of decision making, planning and execution to the subordinates, the span of control may be increased.
5. **Level of supervision:** Depending up on the requirement of supervision needed, the span of control may vary. In other words degree of span of control can be increased at bottom level and decreased at top level.
6. **Fixation of responsibility:** In case the responsibility of subordinate is clearly defined, then the superior can supervise large number of subordinates.
7. **Communication methods:** The methods used for communication is very important. If new and modern techniques are used, then lesser time is required to control and vice-versa.
8. **Using of standards:** If standards are used to detect the errors, then the executives can control more number of subordinates.

Departmentation

Departmentation is the foundation of organisation structure, that is, organisation structure depends upon departmentation. Departmentation means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features. As the organisation grows in size, the work is divided into units and sub-units. Departments are created and activities of similar nature are grouped in one unit. Each department is headed by a person known as departmental manager.

Louis A. Allen defined departmentation as "Divisionalisation is a means of dividing the large and monolithic functional organisation into smaller, flexible administrative units".

Basis of Departmentation:

The form of organisation structure depends upon the basis of departmentation. Creating departments and sub-dividing the work of departments into smaller units creates organisation structure. With growing size of organisations, departments are created for activities of similar nature.

There are two broad forms of departmentation:

a. Functional departmentation, and

b. Divisional departmentation.

a. Functional Departmentation:

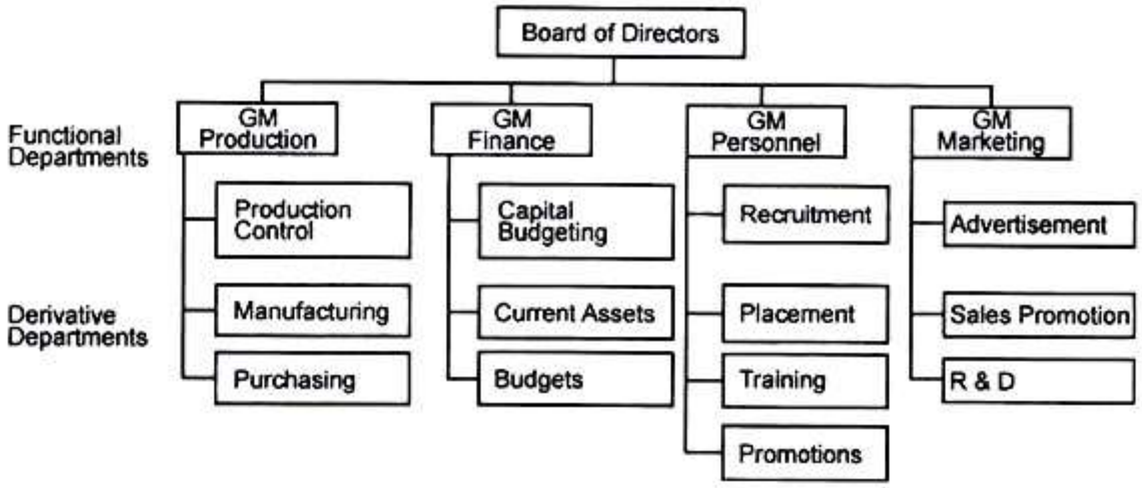
Functional organisation creates departments along activities or functions of the undertaking (functions do not refer to managerial functions of planning, organising , staffing, directing and controlling). It is grouping of activities on the basis of similarities of functions.

The nature of activities performed by different organisations is different. For example, activities carried by a manufacturing organisation are production, finance, personnel and sales. For a trader, the major activities are buying and selling, a bank performs borrowing and lending functions. Functional departmentation is, "the grouping of jobs and resources within the company in such a way that employees who perform the same or similar activities are in the same department".

It is the simplest, logical and most widely accepted form of creating departments. It is suitable for organisations where limited number of products are produced. The major functional departments further have derivative departments. Production department, for example, has sub-departments to manage purchase, production planning and control, manufacturing etc. Finance department creates departments to look into capital budgeting (fixed assets) and current assets, cash management and budgets.

Personnel department has sub-departments to take care of appointments, training, placement and promotion of employees. These sub-departments can be further sub-divided if needed. Advertising department (sub-department of marketing department), for example, can further have sub-departments like advertising in Newspapers, Radio, TV etc.

Organisation Chart Showing Functional Departmentation:



Functional Departmentation

b. Divisional Departmentation:

Divisional structures are created on the basis of smaller divisions where each division has its own functional activities (production, finance, personnel and marketing).

Major divisions that determine the organisation structure are as follows:

1. Product Departmentation:

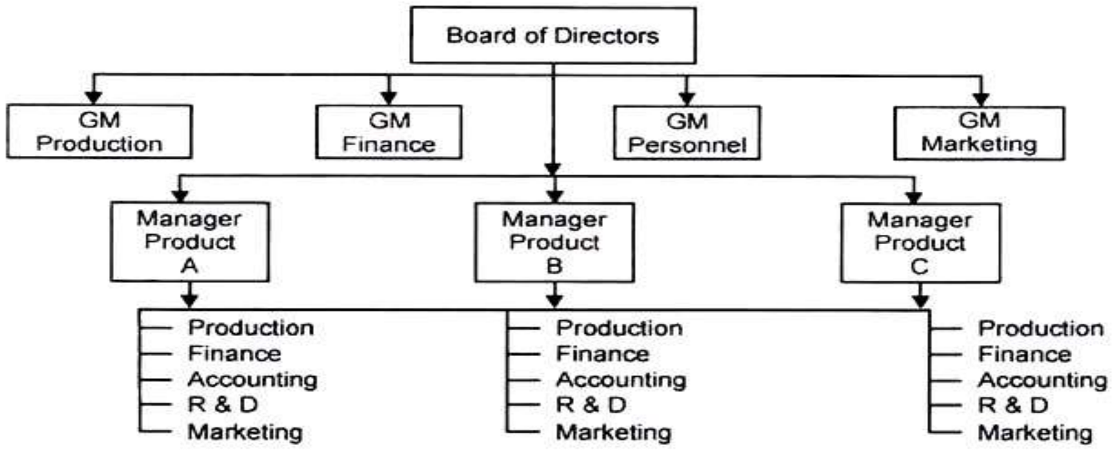
This form of departmentation is suitable for companies that produce multiple products. Product departmentation is grouping of jobs and resources around the products or product lines that a company sells. With increase in operations of a company, it adds more products to its line of products which require various functional activities (production, marketing etc.). Product departmentation is suitable for product diversification where marketing characteristics of each product are different from others.

An organisation selling stationery, for example, also starts selling cosmetics and pharmaceuticals. While marketing strategies for cosmetics need to be intensive, it is not so in case of stationery or pharmaceuticals. Similarly, funds required for each product line are different.

The focus is on the product line and all functional activities associated with the product line. Departments are created on the basis of products and product manager has the authority to carry out functional activities for his department. Each product manager is in charge of his product line though general managers of various functional areas provide them the necessary support. It helps in coordinating the activities of different products.

Organisation Chart Showing Product Departmentation:

Product departmentation, along with various functional areas appear on the organisation chart as follows:



Product Departmentation

There could be further extension of this basis of departmentation. For instance, if product C is a car, the department can be branched out for commercial car, luxury car, special utility vehicle etc.

Module III
STAFFING, DIRECTING AND CONTROLLING

STAFFING

Staffing may be defined as a process of recruiting and equipping the people to handle various positions and perform assigned tasks in line with the structure and the overall goals of the organisation. It is the managerial function which involves managing the organisation structure through proper and effective selection, appraisal and development of the personnel to fill the roles assigned to the employers/workforce.

According to Theo Haimann " Staffing pertains to recruitment, selection, development and compensation of subordinates ."

In the words of Benjamin, "It is the process involved in identifying, assessing, placing, evaluating, and directing individuals at work place."

Staffing Process:

The following specific activities are included in the staffing process.

1. Identification of areas of specialization to match the nature and mandate of the organisation.
2. Estimation of the future manpower requirements
3. Recruitment
4. Selection and Placement
5. Performance Appraisal
6. Placing and Training

Factors affecting staffing

External Factors:

There are various external factors that affect the staffing process and organization has no control over these factors.

Nature of competition for Human Resources: - In India there is a cut throat competition among organization for hiring managerial talents both fresh and experienced, computer professionals etc. Companies are making campus recruitments and students from reputed institutes like IIMs are being placed on very high packages. Companies are amending changes to retain their good employees and offering a good working environment and salaries.

Legal factors: - There are various legal provisions which affect the staffing policies of an organization. Various acts which provide restrictions to free recruitment are Child Labour Act 1986, Employment Exchange (compulsory notification of vacancies) Act 1959and Mines Act 1952. Also some provisions regarding compulsory employment of certain categories like OBC, SC/ST affects the staffing policies of an organization.

Socio-culture Factors: - Various socio-culture factors affect the staffing process due to which certain jobs are to be given to certain categories of people like our culture prevent the women to be employed on in manufacturing operations involving physical exertion.

External influences:- There are various other elements which exert pressure on organization like political pressure to employ local people or pressure from business contacts.

Internal Factors: -

Size of Organization: - Small organization cannot have same staffing practices which a large organization may have; it may not be able to attract highly talented staff. Even if it tries to do so it may increase the staffing cost.

Organizational Business Plan: - Organizational business plan directly affect the staffing function because it determines the type of personal that may be required in future. On the basis of business plan growing organization may need more staff in the future and declining organization will have to shunt out its staff and stagnating organization will work for retaining its staff. Staffing strategies may be different for these organizations.

Organizational Image: - organization image also affects the staffing practices. Organizational image depends upon facilities to staff for training and development promotional policies, working conditions and compensation incentives etc. if all these factors are positive then organization will attract more candidates

Staffing Function

Staffing function involves Man power planning, Recruitment, Selection, Training and Development and Performance Appraisal.

Man Power Planning

Planning of man power resources is a major managerial Responsibility to ensure adequate supply of personnel at the right time both in terms of their quality, quantity and aptitude Man power planning, which is also called HR Planning consists of putting right number of people at the right place, right time doing the right things for which they are suited for the achievement of goals of the Organisation.

Man power planning is carried out in a set of procedures. The procedure is as follows:

a. Analyse the current man power inventory
b. Marketing future man power forecasts
c. Developing employment programme
d. Design training programme.

According to Geisler," Man power planning is the process including forecasting, developing, implementing and controlling – by which a firm ensures that it has the right number of people and right king of people, at the right place, at the right time, doing things for which they are economically most suitable."

Features of Man power Planning:

1. It involves determination of future needs of man power.
2. It deals with effective utilization of manpower.
3. It is a process for ensuring the availability of right people in the organisation.
4. It relates to establishing job specifications.
5. It give emphasis on better working conditions.

Man power Planning Process

The various steps of manpower planning can be identified as follows:-

1. **Projecting Manpower requirement**:- The first step in Manpower planning is to forecast organization structure that will meet the future needs of the organisation. Most of the organisations change over the period of time in terms of expansion of business, change in the nature of business etc such changes require changes in the composition of man power.

2. **Job Analysis**: It is a systematic study of jobs to know the nature and characteristics ofo people to be employed in different kinds of job. It give a clue about type of

personnel required. It provides information about the nature of job, and the qualifications that are desirable in the job holder. It includes:-

Job description:- It is a detailed study of job to know the nature and characteristics of the people in different kinds of job. It prescribes the nature of job to be performed, relationship with other jobs, purpose of the job etc. The job description statement is helpful in the process of selection, training, performance appraisal and job evaluation.

Job specification:- The result of the job analysis is written in a statement known as job description. Job specification refers to the summary of the personal characteristics required for the job. It describes the type of person required in terms of qualification, experience , aptitude etc.

The basic difference between job description and specification is that the former describes the details of the job, which latter describes the requirements of the person performing the job.

3. **Man power inventory**: It is not simply counting of heads presently available in organisation, but cataloguing of their present and future potentialities and aptitudes. This process involves four steps.

1. Determination of personnel to be inventories.
2. Cataloguing of factual information on each individual.
3. Detailed study of those individuals who have potential for development.

4. **Identification of Gap between availability and Required man power**:- Now the organisation is in a position to determine the actual needs of personnel and their availability. While determining the future requirement, we have to consider the loss of personnel due to quits, discharge, mutually agreed release, death, retirement etc. After identifying the gap between the available and required man power, it should be filled up by recruitment and selection.

RECRUITMENT AND SELECTION

Recruitment

Recruitment is the process of finding the apt candidate and inducing them to apply for the job in an organisation. The success of any recruitment depends upon the procedure followed by the company while recruiting the members.

According to McFarland, “The term recruitment applies to the process of attracting potential employees of the company.”

In the words of Edwin B Flippo, ”It is the process of searching for prospective employees and stimulating them to apply for the job in the organisation.”

Sources of Recruitment

Sources of recruitment may be external or internal.

External sources: - It includes

a. Advertisement
b. Employment agencies
   i. Public Employment Exchanges
   ii. Pvt. Employment agencies
c. Campus recruitment
d. Deputation
e. Employee recommendations
f. Labour unions
g. Gate Hiring
h. Un solicited applications
i. Jobbers and Contractors
j. Walk in interviews

Advantages of External Sources:

1. **Wider Option: -** The HR manager will get wider choice in selection of candidate.
2. **New Outlook: -** It will bring some fresh air and a new approach to the problem.
3. **Wide experience:** If the new candidate has experience in various fields, the company can get the benefit of the Candidates experience.

Disadvantages

1. It is an expensive way of selecting employees
2. Lack of co-operation from the existing employees
3. It is a time consuming process
4. In this case there is a danger of non adjustment

Internal Sources: It includes

1. Transfers
2. Promotion and Demotion

Merits of Internal Sources

1. It is economical in all respect
2. It requires lesser time
3. It helps to improve the morale of the employees
4. It is a more accurate and reliable source
5. It induces the staff members to work hard
6. It helps to derive job satisfaction
7. There is no need of any industrial training

Demerits of internal Sources

1. Limited options
2. No fresh air into the organisation.
3. Chances of reducing productivity by way of frequent transfers.

Selection

It is the process adopted by an organisation to select adequate number of persons who are fit for the job. Selection procedure starts with the end of recruitment. Since it is a process of rejecting the application of a candidate who is not suitable for the job, selection is described as negative process.

Steps/Stages of Selection Process

Generally, the selection procedure has the following stages:

1. **Receiving and screening of Applications**: Prospective employees have to fill up Some sort of application form. After getting the filled application form, the personneldepartment will screen the application. Based on the screening of application, only those candidates are called for further process of selection who are found to be meeting the job standards of theorganization.

2. **Preliminary interview**: - The object of conducting this interview is to know whether the applicant is physically and mentally fit for the job.
3. **Blank application**: The applicants who were selected at preliminary interview are required to fill up a blank application form. It is basically a printed form used to collect the individual bio data of the candidate.
4. **Tests:** The test is conducted by the organization for the purpose of knowing more about the applicants to be selected or rejected. There are mainly two tests. Proficiency test and aptitude test. Proficiency test refers to the testing of skills and abilities possessed by the candidate. Aptitude test refers to measuring the skills and abilities which may be developed by the applicant to perform the job in future.
5. **Interviews:** It is considered as a method of personal appraisal through a face to face conversation and observation. Interview helps the employer to evaluate the candidate regarding the personality, smartness, intelligence, attitude etc.

   There are different types of interviews are used by different organizations, like Direct interview, Indirect interview, Patterned interview, Stress interview, Systematic in depth interview, group interview etc.
6. **Checking references:** Sometimes, the applicants are requested to furnish references. The applicants may include the name and address of present educational institutions or respected or reputed persons in his locality. The information furnished in the application is checked from these persons.
7. **Medical Examinations:** This is carried out for the purpose of assessing physical fitness of the prospective employees.
8. **Final Selection:** A suitable applicant is selected on the basis of performance in the above mentioned tests and interviews. Only the required number of applicants is selected by the management.
9. **Placement:** Here a position is assigned to an individual where he can use all his efforts consistent with the requirement of his total working group and then he will get job satisfaction.

Differences between Recruitment and Selection

Basis	Recruitment	Selection
Meaning	*It is an activity of establishing contact between employers and applicants.*	*It is a process of picking up more competent and suitable employees.*
Objectives	It encourages large number of candidates for a job	It attempts at rejecting unsuitable candidates
Process	It is a simple process	It is comparatively a complicated process
Approach	It is a positive approach	It is a negative approach
Sequence	It precedes selection	It follows recruitment
Time consuming	Less time is required	More time is required

Training

It refers to a Programme that facilitates an employee to perform the job effectively through acquiring increased knowledge and skills.

According to Edwin B Flippo," Training is the act of increasing the knowledge and skills of an employee for doing a particular job."

Types of Training

The training may be of

I. On the Job Training

II. Off the Job Training

I. **On the Job Training**: It refers to the learning while actually performing a particular work or job. This type of training is more suitable to every type of employees. It includes:

a. On specific job training

b. Rotation of position /job rotation

c. Special projects

d. Apprenticeship training

II**. Off the Job Training**: Under this method, a trainee is removed from his normal working place and spends his full time for training purpose in any other place. It includes:

a. Special course and lectures

b. Conference

c. Case study
d. Role playing
e. Management games etc

DIRECTION, CO-ORDINATION AND CONTROLLING

Direction

Directing is the process of integrating the people within the organisation so as to obtain their willing co-operation towards meeting the pre determined goals.

According to Theo Haimann," Directing consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned."

Features of Directing

1. Directing Initiates Action:

Other functions prepare a base or setting of action, i. e., how action has to be carried on the directing initiate or start action.

By giving directions or instructions the managers get the work started in the organisation

2. Continuing Function:

Directing is a continuous process. A manager cannot just rest after issuing orders and instructions. He has to continuously guide, supervise and motivate his subordinates. He must continuously take steps to make sure that orders and instructions are carried out properly.

3. Directing takes place at every level:

Directing is a pervasive function as it is performed by managers at all levels and in all locations. Every manager has to supervise, guide, motivate and communicate with his subordinate to get things done. However, the time spent in directing is comparatively more at operational level of management. Directing takes place wherever superior subordinate relation exists.

4. Directing flows From Top to Bottom:

Directions are given by managers to their subordinates. Every manager can direct his immediate subordinate and take directions from immediate boss. Directing starts from top level and flows to lower level.

5. Performance Oriented:

Directing is a performance oriented function. The main motive of directing is bringing efficiency in performance. Directing converts plans into performance. Performance is the essence of directing. Directing functions direct the performance of individuals towards achievement of organisational goal.

6. Human Element:

Directing function involves study and molding of human behaviour. It improves interpersonal and intergroup relationship. It motivates employees to work with their best ability.

Principles of Direction:

The following are the basic principles of directing:

1. **Integration of individual and organizational goals**: This implies that the individuals contribute to the organizational goals to their maximum capabilities and at the same time satisfy their personal needs.
2. **Participative decision making**: Effective direction can be achieved by involving individuals and groups in decision making process.
3. **Delegation of Authority**: The subordinates should be delegated with adequate authority in order to facilitate decision making.
4. **Effective communication**: The managers should ensure free flow of communication at all levels of organizational hierarchy.
5. **Right type of leadership**: The management should develop leadership quality among the employees.
6. **Unity of Command**: This principle states that the subordinates should get directives from one superior only and should be accountable to one superior only.
7. **Appropriateness of direction techniques**: The direction techniques selected should be according to the situation.
8. **Follow up**: The management should see that whether the direction issued by them is carried out or not.

In simple words, direction can be described as providing guidance to workers for doing work.

Techniques of Direction

There are mainly three techniques are used for direction:

1. **Consultative direction**: Under this method, the supervisor has consultation with his subordinates before issuing a direction. The consultation is made to find out the feasibility, enforceability and nature of problem.

2. **Free rein direction**: Under these techniques, the subordinate is encouraged to solve the problem independently. The subordinate should take initiative to solve the problem.
3. **Autocratic direction**: It is opposite to free rein direction. The supervisor commands his subordinates and has close supervision over them.

Co-ordination

It is a process of integrating the interdepartmental activities as unified action towards the fulfillment of the predetermined common goals of the organization.

According to Henry Fayol, " To co-ordinate is to harmonize all the activities of a concern so as to facilitate its working and its success. In a well co-ordinated enterprise, each department or division, works in harmony with other and is fully informed of its role in the organization. The working schedule of various departments is constantly turned to circumstances."

Features

1. It is not a separate function of management.
2. I t is necessary to all levels of management.
3. It is a continuous and dynamic process.
4. Group efforts are more relevant than individual efforts.
5. Unity of action is the heart of co-ordination.
6. It is a system concept.

Types of Co-ordination

The following are the important types of co-ordination.

1. Vertical co-ordination: - It refers to co-ordination between activities of a manager and his subordinates
2. Horizontal co-ordination:- It refers to co-ordination among peers – ie employees working at the same levels in organizational hierarchy and among various departments.
3. Diagonal co-ordination: It is co-ordination among the users and between users and service personnel, which is achieved through understanding, negotiation and voluntary effort.

Principles of Co-ordination:

In order to ensure effective co-ordination, the co-ordination should be based on certain principles:

1. **Personal contact**: Effective co-ordination can be achieved through personal contact. Personal contact avoids controversy and misunderstanding.

2. **Reciprocal relationship**: This principle says that all factors in a situation are reciprocally related. Each factor influences other factor.
3. **Dynamism**: Co-ordination is modified according to the external and internal actions and decisions ie co-ordination should be a dynamic one.
4. **Continuity**: It says that co-ordination is a continuous process.
5. **Self co-ordination**: According to this principle, the function of one department affects other departments and in turn, is affected by the function of other departments.
6. **Clear cut objectives**: As per this principle, the departments heads should know clearly the objectives of the organization.
7. **Effective communication**: Effective communication is very necessary for the proper co-ordination.
8. **Early stage of starting**: The co-ordination should be started even from the planning function of management.

Controlling

The Control function is closely related with all other functions of management. The management control is the process of ensuring that the actual plan implementation matches with the original plan. It is an ongoing and dynamic function and linked with other function of the management in a circular relationship.

According to Koonts O'Donnel, "Controlling is the measurement of accomplishment against the standards and the correction of deviation to assure attainment of objectives according to plan."

Steps in Control Process

The control process involves four basic steps as mentioned below:-

1. **Establishing standards:-** Standard represents criteria of performance. This implies the statement of goals and objective envisaged under the planning process are stated in clear and measurable terms along with specific milestones. The standard should have some characteristics to produce effective performance.
2. **Measurement of performance against standards**: The measurement of performance is an ongoing process. Several techniques are used by the management to measure the performance.
3. **Comparing the actual performances with standards**: The measured results are compared with the project and standards. In case the performance meets the standards, then it would mean that the performance or activity is progressing in the desired direction.

4. **Taking corrective action**: In the situations when performance does not confirm to the specified criteria of the standards, then it is necessary to take corrective measures to deal with the observed deviations in the performance.

Characteristics of Control

Following characteristics of control can be identified:

1. Control is a Managerial Process:

Management process comprises of five functions, viz., planning, organizing, staffing, directing and controlling. Thus, control is part of the process of management.

2. Control is forward looking:

Whatever has happened has happened, and the manager can take corrective action only of the future operations. Past is relevant to suggest what has gone wrong and how to correct the future.

3. Control exists at each level of Organization:

Anyone who is a manager, has to involve into control – may be Chairman, Managing Director, CEO, Departmental head, or first line manager. However, at every level the control will differ – top management would be involved in strategic control, middle management into tactical control and lower level into operational control.

4. Control is a Continuous Process:

Controlling is not the last function of management but it is a continuous process. Control is not a one-time activity, but a continuous process. The process of setting the standards needs constant analysis and revision depending upon external forces, plans, and internal performance.

5. Control is closely linked with Planning:

Planning and controlling are closely linked. The two are rightly called as 'Siamese twins' of management. "Every objective, every goal, every policy, every procedure and every budget become standard against which actual performance is compared.

Planning sets the ship's course and controlling keeps it on course. When the ship begins to veer off the course, the navigator notices it and recommends a new heading designed to return the ship to its proper course. Once control process is over its findings are integrated into planning to prescribe new standards for control.

6. Purpose of Controlling is Goal Oriented and hence Positive:

Control is there because without it the business may go off the track. The controlling has positive purpose both for the organization (to make things happen) and individuals (to give up a part of their independence for the attainment of organizational goals).

Types of Control

Controls can be numerous in kind. These may be classified on the basis of (a) timing, (b) designing systems, (c) management levels, and (d) Responsibility

On the basis of timing:

Control can focus on events before, during, or after a process. For example, a local automobile dealer can focus on activities before, during, or after sales of new cars. Such controls may be respectively called as Preventive, Detective, and Corrective.

On this basis the control may be:

(i) Feed forward Control

(ii) Concurrent Control

(iii) Feedback Control

1. Feed forward Control:

The objective of feed forward control or preliminary control is to anticipate the likely problems and to exercise control even before the activity has started or problem has occurred or been reported. It is future directed.

This kind of control is very popular in airlines. They go in for preventive maintenance activities to detect and prevent structural damage, which may result in disaster. These controls are evident in the selection and hiring of new employees. It helps in taking action beforehand.

In case of feedback control, one relies on historical data, which will come after the activity has been performed. This means information is late and the rectification is not possible. One can make correction only for future activities.

That means whatever wrong has been done is done, and it cannot be undone. Though, future-directed control is largely disregarded in practice, because managers have been excessively dependent on accounting and statistical data for the purpose of control. In the absence of any means of looking forward, reference to history is considered better than no reference at all.

However, the concept of feed forwarding has been applied now and then. One common way managers have practised it is through careful and repeated forecasts using the latest available information, comparing what is desired with the forecasts, and introducing program changes so that forecasts can be made more promising.

2. Concurrent Control:

Concurrent control monitors ongoing employee activity to ensure consistency with quality standards takes place while an activity is on or in progress. It involves the regulation of ongoing activities that are part of transformation process to ensure that they conform to organizational standards.

The technique of direct supervision is the best-known form of concurrent control. Concurrent control is designed to ensure that employees' activities produce the correct results and to correct the problems, if any, before they become costly.

In case of computer typing, if the spelling is wrong or construction is incorrect, the programme immediately alerts the user. Many manufacturing operations include devices that measure whether the items being produced meet quality standards.

Since concurrent control involves regulating ongoing tasks, it requires a complete understanding of the specific tasks involved and their relationship to the desired and product.

Concurrent control sometimes is called steering, screening or yes-no control, because it often involves checkpoints at which decisions are made about whether to continue progress, take corrective action, or stop work altogether on products or services.

3. Feedback Control:

The control takes place after the job is over. Corrective action is taken after analysing variances with the planned standards at the end of the activity. It is also known as 'post action control', because feedback control is exercised after the event has taken place.

Such control is used when feed forward or concurrent is not possible or very costly; or when exact processes involved in performing a work is difficult to specify in advance.

The twin advantages of feedback control are that meaningful information is received with regard to planning efforts, and feedback control enhances employee motivation.

On the basis of designing Control Systems:

Three approaches may be followed while designing control systems, viz., Market Control, Bureaucratic Control, and Clan Control. However, most organisations do not depend only on just one of them.

1. Market Control:

Control is based upon market mechanisms of competitive activities in terms of price and market share. Different divisions are converted into profit centres and their performance is evaluated by segmental top line (turnover), bottom line (profit) and the market share.

Using market control will mean that the managers in future will allocate resources or create departments or other activities in line with the market forces.

2. Bureaucratic Control:

Bureaucratic control focuses on authority, rule and regulations, procedures and policies. Most of the public sector units in India go in for bureaucratic control.

If they do not go by the rulebook, the legislative committees and the ministries under whom they work will reprimand them. In a hospital no medicine can be used unless the prescription is there and it is recorded in the issue register, even if the patient may die in between.

3. Clan Control:

The control systems are designed in a way that give way to shared vision, shared values, norms, traditions and beliefs, etc., part of the organisational culture. It is not based upon hierarchical mechanisms, but work-related and performance measures. This kind of control is most suitable for the organisations which use team style of work groups and where technology changes very fast.

On the basis of Levels:

People at different level have different planning responsibilities, so do they undertake controlling. On the basis of levels controls, can be categorised as Operational, Structural, Tactical, and Strategic.

1. Operational Control:

Its focus remains upon the processes used by the organisation for transforming the inputs (resources) into outputs (products/services). Operational controls are used at the lower management. It is exercised almost every day. Quality control, financial controls are part of operational controls.

2. Structural Control:

Are the different elements of organisation structure serving their intended aims? Is there overstaffing? Is the ratio of staff to line increasing? Necessary action is to be undertaken.

Two important forms of structural control can be bureaucratic control and clan control, about which we have already talked. Structural control is exercised by top and middle management.

3. Tactical Control:

Since tactical control deals with the departmental objectives, the controls are largely exercised by middle management levels.

4. Strategic Control:

Strategic controls are early warning systems. Strategic control is the process to determine whether the effectiveness of a corporate, business and functional strategies are successful in helping organisations to meet its goals. Strategic controls are exercised by top level management.

On the basis of Responsibility:

Who has the responsibility of controlling? The responsibility may rest with the person executing the things or with the supervisor or manager. This way control may be internal and external.

Internal control permits highly motivated people to exercise self-discipline. External control means that the thread of control is in the hands of supervisor or manager and control is exercised through formal systems.

Control Techniques

Many techniques have been developed to control the activities in management. The list is very long, and it is difficult to describe them all.

Some of the important techniques are:

Financial Control:

Finance is related with mobilization of funds and their utilization and the return on them. Financial control is exercised through the following:

1. Financial Statements:

Income statement (telling about expenses, segmental incomes, overall income and expenses, and the net profit/loss), and Balance Sheet (shows the net worth at a single point of time and the extent to which the debt or equity finance the assets)

2. Financial Audits:

Financial audits, either internal or external are conducted to ensure that the financial management is done in line with the generally accepted policies, procedures, laws, and ethical guidelines. Audits may be internal (by Organisation's own staff), external (statutory audit by chartered accountants), and management audit (by experts).

3. Ratio Analysis:

Ratio analysis monitors liquidity, profitability, debt, and activity related aspects.

4. Budgetary Controls:

Budgetary control is the process of constructing budgets, comparing actual performance with the budget one and revising budgets or activities in the light of changed conditions.

Budgetary control is as such not related only to finance area, but all functional areas do take help of budgetary control. Budgets help not only in planning but also help to keep a tab on overall spending.

Budgeting may be top-down (managers prepare the budget and ask subordinates to use); bottom-up (figures come from lower levels and adjusted at upper levels); zero-based (justifying allocation of funds on the basis of activities or goals); and flexible budgeting (varying standards and varying allocations).

5. Break-even Analysis:

It is a tool of profit planning and deals with cost-volume-profit relationships.

6. Accounting:

Accounting includes responsibility accounting, cost accounting, standard cost approach, direct costing, and marginal costing.

Marketing Control:

In the field of marketing, to see that customer gets right product at the right price at the right place and through right communication, the control is exercised through the following:

Market Research:

It is to assess customers' needs, expectations and the delivery; and the competitive scenario.

Test Marketing:

To assess consumer acceptance of a new product, a small-scale marketing is done. HUL uses Chennai for most of its test marketing.

Marketing Statistics:

Marketing managers control through marketing ratios and other statistics.

Human resource control:

Human resource control is required to have a check on the quality of new personnel and also to monitor performances of existing employees so as to determine firm's overall effectiveness.

Goal setting, instituting policies and procedures to guide them are to help them. Common controls include performance appraisals, disciplinary programmes, observations, and development assessments.

Information Control:

All organizations have confidential and sensitive information to be kept secret. How to control access to computer databases is very important. This has become a key contemporary issue in control. Organizations keep a watch on employee's computer usage in general and internet in particular.

Production Control:

To ensure quality production in right quantity at right time economically production controls are required. Two of the important techniques include: Inventory control (ABC Analysis, Economic Order Quantity, Just-in time inventory control), and quality control (through inspection, statistical quality control).

Project Control:

Network analysis is most suitable for the projects which are not routine in minimizing cost and completing project well in time. Network analysis makes use of two techniques – Programme Evaluation and Review Technique (PERT), and Critical Path Method (CPM).

Module IV
MODERN PRACTICES IN MANAGEMENT

TOTAL QUALITY MANAGEMENT (TQM)

The success of a company depends largely on continuous quality improvement using TQM. Implementing TQM requires action by everyone. What we need is integrated TQM based on teams working on all fronts. TQM is a process designed to focus on customer expectations, preventing problems, building commitment to quality amongst all managers and staffs, and promoting open and transparent decision making.

Total quality management consists of organization-wide efforts to install and make a permanent climate in which an organization continuously improves its ability to deliver high-quality products and services to customers. While there is no widely agreed-upon approach, TQM efforts typically draw heavily on the previously developed tools and techniques of quality control.

The word “Total” conveys the idea that all employees, throughout every function and level of an organization, pursue quality. The word “quality” suggests excellence in every aspect of the organization. “Management” refers to the pursuit of quality results through a quality management process. This begins with strategic management processes and extends through product design, manufacturing, marketing, finance, and so on. It encompasses, yet goes beyond, all of the earlier definitions of quality by pulling them together into a never-ending process of improvement.

Accordingly, TQM is as much about the quality process as it is about quality results or quality products. It began with people, particularly managers.

"A management philosophy and company practices that aim to harness the human and material resources of an organization in the most effective way to achieve the objectives of the organization.

British Standards Institution

“Total Quality Management is a management approach that tries to achieve and sustain long term organizational success by encouraging employee feedback and participation, satisfying customer needs and expectations, respecting societal values and beliefs, and obeying governmental statutes and regulations.”

Five Pillars of TQM are,

→ Product

→ Process

→ System

→ People

→ Leadership

“Total Quality Management is an effective system for integrating the quality development, quality maintenance and quality improvement efforts of various groups in an organization continuously, so as to enable marketing, engineering, production and service at the most economic levels which allow for full customer satisfaction.”

The fundamental concepts of TQM

The fundamental concepts, practices, and characteristics of TQM are as follows.

1. Create constant purpose toward quality improvement of products and service.
2. Adopt the new concept of ‘zero defect’ that we no longer accept the commonly accepted levels of delays, mistakes, and defective products.
3. Stop the dependence on mass inspection of quality control to achieve the quality assurance; instead, set up the built-in quality system in the production processes.
4. Cease the practice of material purchases based on the decision of the price alone.
5. Use statistical methods to find the root causes of the problems and ultimately eliminate these problems.
6. Institute modern methods and systems of employees’ on-job training.
7. Execute new methods of leadership for the supervision of workers.
8. Drive out fear, so that every employee can work effectively.
9. Break down barriers between departments; instead, team-work can be realized.
10. Eliminate slogans and the exhortations by numerical goals for the workforce; instead, encourage employees to challenge high levels of quality and productivity.
11. Eliminate only work quotas without accounting quality and remove the obstacles that prevent employees from achieving their challenge.
12. Remove barriers that rob people of their pride of workmanship.
13. Develop and execute a complete program of education and training for all employees.
14. Perform all above actions and push for continuous improvement.

Benefits of TQM

Customer satisfaction oriented benefits

1. Improvement in product quality
2. Improvement in product design
3. Improvement in production flow
4. Improvement in employee morale and quality consciousness
5. Improvement in product service
6. Improvement in market place acceptance

Economic improvement oriented benefits:

1. Reduction in operating costs
2. Reduction in operating losses
3. Reduction in field service costs
4. Reduction in liability exposure.

KAIZEN

Kaizen is an approach to creating continuous improvement based on the idea that small, ongoing positive changes can reap major improvements. Typically, it is based on cooperation and commitment and stands in contrast to approaches that use radical changes or top-down edicts to achieve transformation. Kaizen is core to lean manufacturing, or The Toyota Way. It was developed in the manufacturing sector to lower defects, eliminate waste, boost productivity, encourage worker purpose and accountability, and promote innovation.

Ten principles of Kaizen

Because executing Kaizen requires enabling the right mindset throughout the company, 10 principles that address the Kaizen mindset are commonly referenced as core to the philosophy. They are:

1. Let go of assumptions.
2. Be proactive about solving problems.
3. Don't accept the status quo.
4. Let go of perfectionism and take an attitude of iterative, adaptive change.
5. Look for solutions as you find mistakes.
6. Create an environment in which everyone feels empowered to contribute.
7. Don't accept the obvious issue; instead, ask "why" five times to get to the root cause.

8. Cull information and opinions from multiple people.
9. Use creativity to find low-cost, small improvements.
10. Never stop improving.

LEAN MANAGEMENT

Lean management is an approach to managing an organization that supports the concept of continuous improvement, a long-term approach to work that systematically seeks to achieve small, incremental changes in processes in order to improve efficiency and quality.

The primary purpose of lean management is to produce value for the customer through the optimization of resources and create a steady workflow based on real customer demands. It seeks to eliminate any waste of time, effort or money by identifying each step in a business process and then revising or cutting out steps that do not create value. The philosophy has its roots in manufacturing.

Lean management focuses on:

- Defining value from the standpoint of the end customer.
- Eliminating all waste in the business processes.
- Continuously improving all work processes, purposes and people.

Lean management facilitates shared leadership and responsibility; continuous improvement ensures that every employee contributes to the improvement process. The management method acts as a guide to building a successful and solid organization that is constantly progressing, identifying real problems and resolving them.

Lean management is based on the Toyota production system which was established in the late 1940s. Toyota put into practice the five principles of lean management with the goal being to decrease the amount of processes that were not producing value; this became known as the Toyota Way. By implementing the five principles, they found that significant improvements were made in efficiency, productivity, cost efficiency and cycle time.

5 principles of lean management

Lean management incorporates five guiding principles that are used by managers within an organization as the guidelines to the lean methodology. The five principles are:

1. Identify value
2. Value stream mapping
3. Create a continuous workflow

4. Establish a pull system
5. Facilitate continuous improvement

Identifying value, the first step in lean management, means finding the problem that the customer needs solved and making the product the solution. Specifically, the product must be the part of the solution that the customer will readily pay for. Any process or activity that does not add value -- meaning it does not add usefulness, importance or worth -- to the final product is considered waste and should be eliminated.

Value stream mapping refers to the process of mapping out the company's workflow, including all actions and people who contribute to the process of creating and delivering the end product to the consumer. Value stream mapping helps managers visualize which processes are led by what teams and identify the people responsible for measuring, evaluating and improving the process. This visualization helps managers determine which parts of the system do not bring value to the workflow.

Creating a continuous workflow means ensuring each team's workflow progresses smoothly and preventing any interruptions or bottlenecks that may occur with cross-functional teamwork. Kanban, a lean management technique that utilizes a visual cue to trigger action, is used to enable easy communication between teams so they can address what needs to be done and when it needs to be done by. Breaking the total work process into a collection of smaller parts and visualizing the workflow in this regard facilitates the feasible removal of process interruptions and roadblocks.

Developing a pull system ensures that the continuous workflow remains stable and guarantees that the teams deliver work assignments faster and with less effort. A pull system is a specific lean technique that decreases the waste of any production process. It ensure that new work is only started if there is a demand for it, thus providing the advantage of minimizing overhead and optimizing storage costs.

These four principles build the lean management system. However, the last principle -- continuous improvement -- is the most important step in the lean management method.

Facilitating continuous improvement refers to a variety of techniques that are used to identify what an organization has done, what it needs to do, any possible obstacles that may arise and how all members of the organization can make their work processes better. The lean management system is neither isolated nor unchanging and, therefore, issues may occur within any of the other four steps. Ensuring all employees contribute to the continuous improvement of the workflow protects the organization whenever problems emerge.

Benefits of lean management

Lean management benefits organizations by focusing on improving all parts of the work process throughout every level of the company's hierarchy. Specifically, managers benefit from advantages such as:

- **A more intelligent business process** - The pull system ensures work is only carried out when there is an actual demand and need for it.
- **Improved use of resources** - The pull system also ensures the organization is only using resources when they are needed since it operates based on real customer demand.
- **Improved focus** - Lean management decreases the amount of wasteful activities, therefore allowing the workforce to increase their focus on tasks that produce value.
- **Enhanced productivity and efficiency** - Improved focus leads to a more productive and efficient workforce since attention is not given to unnecessary activities.

BUSINESS PROCESS RE-ENGINEERING

Business process reengineering is the act of recreating a core business process with the goal of improving product output, quality, or reducing costs. Typically, it involves the analysis of company workflows, finding processes that are sub-par or inefficient, and figuring out ways to get rid of them or change them.

Business process reengineering became popular in the business world in the 1990s, inspired by an article called Reengineering Work: Don't Automate, Obliterate which was published in the Harvard Business review by Michael Hammer. His position was that too many businesses were using new technologies to automate fundamentally ineffective processes, as opposed to creating something different, something that is built on new technologies. Think, using technology to *"upgrade"* a horse with lighter horseshoes which make them faster, as opposed to just building a car. In the decades since, BPR has continued to be used by businesses as an alternative to business process management (automating or reusing existing processes), which has largely superseded it in popularity.

The business process reengineering involves a series of steps. These are:

Step 1: Define Objectives and Framework

Step 2: Identify Customer Needs

Step 3: Study the existing business process

Step 4: Formulate a redesign business plan

Step 5: Implement the Redesign Plan

OPEN BOOK MANAGEMENT

The term "Open-Book Management" (OBM) was coined by Jack Stack who wrote the book "The Great Game of Business." He refers to OBM as follows:
"The Great Game of Business is all about promoting clear, effective and open communication in a company". His focus is on financial data, having employees view themselves as "business partners," and sharing the company's profitability.

Elements of Open-Book Management

OBM is composed of various elements.

· A plan for implementation is required.

· Understanding the culture, as it relates to trust and the workforce and also management receptivity is critical for a successful implementation process.

· The business objectives for implementation, as well as what information to share, should be understood and based on a strategic plan with aligned business goals.

· Determining the boundaries of decision-making at all levels will eliminate setting up false expectations of the process. If employees are led to believe they will have an input on all decisions and this is not the company's intent, employees need to know this up front or management risks losing credibility.

-Developing the "critical numbers" or establishing goals that are within the control of employees is an essential component of OBM. It determines where employee emphasis is focused in managing tasks and decisions, and is the metric for improvement.

· Feedback to employees about their performance relative to the critical numbers will allow mid-course correction if necessary. The linkage between a business unit's metrics and the company's metrics must be made.

· Every employee should understand their ability to impact and control the success or failure of the business. This could be a reduction in defects per million or an understanding of the dollars associated with scrap of a particular piece of hardware that when rolled up to a higher level equates to profits and potential job security.

· As information is shared, it is imperative to provide education and training to enable workers to utilize their newly gained knowledge. Education about OBM and benchmark data about the industry is appropriate starting points for workforce exposure. This leads to empowering the workforce and should result in higher quality decision-making and increased participation in the business.

Developing a reward system that supports employees who take on increased risk and responsibility relating to business performance is an important element in the open-book process. This implies that if the business does well, employees share in the good times; however, the inverse may also occur.

Module V
ETHICS AND SOCIAL RESPONSIBILITY

Ethics

Ethics is not recent phenomenon. Ethical codes have been prepared along with the development of human civilization. In olden days, people might have found some of their actions was wrong and others right. The question what is right and what is wrong gave birth to ethical and unethical codes.

The word ethics is derived from the Greek word 'Ethikos' and Latin word 'Ethicus' mean custom or character. The concept of ethics deals with human beings. So it is a social science. Ethics is a branch of philosophy and is considered as normative science because it is concerned with norms of human beings.

In the words of Peter.F.Drucker, "Ethics deals with right actions of individuals"

Ethics includes the following

1. Well based standards: Ethics refers to well based standards of right and wrong that prescribe what humans ought to do
2. Study and development of one's ethical standards: Ethics refers to the study and development of one's ethical standards.

Business Ethics

Business ethics is nothing but the application of ethics in business. Business ethics is the application of general ethical ideas to business behavior. Ethical business behavior facilitates and promotes good to society, improves profitability, fosters business relations and employee productivity. The concept of business ethics has come to mean various things to various people, but generally it's coming to know what it right or wrong in the workplace and doing what's right - this is in regard to effects of products/ services and in relationships with stakeholders.

Business ethics is concerned with the behavior of a businessman in doing a business. Unethical practices are creating problems to businessman and business units. The life and growth of a business unit depends upon the ethics practiced by a businessman. Business ethics are developed by the passage of time and custom. A custom differs from one business to another. If a custom is adopted and accepted by businessman and public, that custom will become an ethic. Business ethics is applicable to every type of business. The social responsibility of a business requires the observing of business ethics. A business man should not ignore the business ethics while assuming social responsibility. Business ethics means the behaviour of a businessman while conducting a business, by observing morality in his business activities.

According to Wheeler Business Ethics is an art and science for maintaining harmonious relationship with society, its various groups and institutions as well as reorganizing the moral responsibility for the rightness and wrongness of business conduct.

According to Rogene. A. Buchholz , "Business ethics refers to right or wrong behaviour in business decisions ".

Business Ethics or Ethical standards are the principles, practices and philosophies that guide the business people in the day today business decisions. It relates to the behaviour of a businessman in a business situation. They are concerned primarily with the impacts of decisions of the society within and outside the business organizations or other groups who keep interest in the business activities . Business ethics can be said to begin where the law ends. Business ethics is primarily concerned with those issues not covered by the law, or where there is no definite consensus on whether something is right or wrong

Importance of Business Ethics

There may be many reasons why business ethics might be regarded as an increasingly important area of study, whether as students interested in evaluating business activities, or as managers seeking to improve their decision-making skills.

It is generally viewed that good business ethics promote good business.

1 The power and influence of business in society is greater than ever before. Business ethics helps us to understand why this is happening, what its implications might be, and how we might address this situation.

2 Business has the potential to provide a major contribution to our societies, in terms of producing the products and services that we want, providing employment, paying taxes, and acting as an engine for economic development and thereby increases the goodwill.

3 Business malpractices have the potential to inflict enormous harm on individuals, on communities and on the environment. Through helping us to understand more about the causes and consequences of these malpractices, business ethics helps to create mutual trust and confidence in relationship.

4 The demands being placed on business to be ethical by its various stakeholders are constantly becoming more complex and more challenging. Business ethics provides the

means to appreciate and understand these challenges more clearly, in order that firms can meet these ethical expectations more effectively.

5. Business ethics can help to improve ethical decision making by providing managers with the appropriate knowledge and tools that allow them to correctly identify, diagnose, analyse, and provide solutions to the ethical problems and dilemmas they are confronted with.

6 A business can prosper on the basis of good ethical standards and it helps to retain the business for long years.

7 Business ethics can provide us with the ability to assess the benefits and problems associated with different ways of managing ethics in organizations.

8 In the age of complexity in business fileds , competition is increasing day by day Good ethical standard helps the business to face the challenges

Characteristics of Business Ethics

The following are the important features of business ethics:-

1. Business ethics are the principles, which govern and guide business people to perform business functions and in that sense business ethics is a discipline
2. It is considered both as a science and an art.
3. It continuously test the rules and moral standards and is dynamic in nature
4. It is based on theological principles such as sincerity, human welfare, service, good behavior etc.
5. It is based on reality and social customs prevailing in business environment.
6. It studies the activities , decisions and behavior which are related to human beings
7. It has universal application because business exists all over the world
8. Many of the ethical principles develop the personal dignity
9. Business ethics keeps harmony between different roles of businessman, with every citizen, customer, owner and investors.

Principles of Business Ethics

The Principles of business ethics developed by well known authorities like Cantt, J. S.Mill, Herbert Spencer, Plato, Thomas Garret, Woodrad, Wilson etc are as follows

1. **Sacredness of means and ends** : The first and most important principles of business ethics emphasize that the means and techniques adopted to serve the business ends must be

sacred and pure.It means that a good end cannot be attained with wrong means, even if it is beneficial to the society.

2. **Not to do any evil**: It is unethical to do a major evil to another or to oneself , whether this evil is a means or an end.

3. **Principle of proportionality**: This principle suggests that one should make proper judgment before doing anything so that others do not suffer from any loss or risk of evils by the conducts of business.

4. **Non co-operation in evils**: It clearly points out that a business should with any one for doing any evil acts.

5. **Co-operation with others** This principles states that business should help others only in that condition when other deserves for help

6. **Publicity**: According to W. Wilson, anything that is being done or to be done, should be brought to the knowledge of everyone. If everyone knows, none gets opportunity to do an unethical act.

7. **Equivalent price**: According to W.Wilson , the people are entitled to get goods equivalent to the value of money that he will pay.

8. **Universal value**: According to this principle the conduct of business should be done on the basis of universal values**.**

9. Humandignity: As per this principle , man should not be treated as a factor of production and human dignity should be maintained.

10. **Non violence** : If businessman hurts the interests and rights of the society and exploits the consumer by overlooking their interests this is equivalent to violence and unethical act.

Factors Influencing Business Ethics

Business leaders today are well aware of the ethical issues and hence they want to improve the ethical standards of the business. Self-regulation is, of course, better and produce impressive results. Besides, there are also a number of factors, which significantly influence the managers to take ethical decisions.

Some of them are

1. Personal Code of Ethics

A man’s personal code of ethics that is what one considers moral is the foremost responsible factor influencing his behavior.

2. Legislation

It is already stated that the Government will intervene and enact laws only when the businessmen become too unethical and selfish and totally ignore their responsibility to the society. No society can tolerate such misbehavior continuously. It will certainly exert pressure on the Government and the Government consequently has no other alternative to prohibit such unhealthy behavior of the businessmen.

3. Government Rules and Regulations

Laws support Government regulations regarding the working conditions, product safety, statutory warning etc. These provide some guidelines to the business managers in determining what are acceptable or recognized standards and practices.

4. Ethical Code of the Company

When a company grows larger, its standard of ethical conduct tends to rise. Any unethical behavior or conduct on the part of the company shall endanger its established reputation, public image and goodwill. Hence, most companies are very cautious in this respect. They issue specific guidelines to their subordinates regarding the dealings of the company.

5. Social Pressures

Social forces and pressures have considerable influence on ethics in business. If a company supplies sub-standard products and get involved in unethical conducts, the consumers will become indifferent towards the company. Such refusals shall exert a pressure on the company to act honestly and adhere strictly to the business ethics. Sometimes, the society itself may turn against a company.

6. Ethical Climate of the Industry

Modern industry today is working in a more and more competitive atmosphere. Hence only those firms, which strictly adhere to the ethical code, can retain its position unaffected in its line of business. When other firms, in the same industry are strictly adhering to the ethical standards, the firm in question should also perform up to the level of others. If the company's performance is below than other companies, in the same industry, it cannot survive in the field in the long run.

Ethical issues

Ethical issues in business is a situation where a moral conflict arises and must be addressed. In other words, it is an occasion where a moral standard is questioned. Ethical issues occur when a given decision, scenario or activity creates a conflict with a society's moral principles. Both individuals and businesses can be involved in these conflicts, since any of their activities might be put to question from an ethical standpoint. Individuals are subject to these issues in their relationships with other individuals or in their relationships with organizations and same goes for organizations.

These conflicts are sometimes legally dangerous, since some of the alternatives to solve the issue might breach a particular law. In other occasions, the issue might not have legal consequences but it might generate a negative reaction from third parties. Ethical issues are challenging because they are difficult to deal with if no guidelines or precedents are known. For this reason, many professional and industry associations have ethical codes that are discussed and approved by key participants to provide a useful framework for companies and individuals to make adequate decisions whenever they face one of these conflicts.

Ethical Dilemma

An ethical dilemma (ethical paradox or moral dilemma) is a problem in the decision-making process between two possible options, neither of which is absolutely acceptable from an ethical perspective. Although we face many ethical and moral problems in our life, most of them come with relatively straightforward solutions.

An ethical dilemma is a moral situation in which a choice has to be made between two equally undesirable alternatives. Dilemmas may arise out of various sources of behaviour or attitude, as for instance, it may arise out of failure of personal character, conflict of personal values and organizational goals, organizational goals versus social values, etc.

Indian Ethos

Ethos can be defined as “the moral ideas and attitudes that belong to a particular group or society”. Indian Ethos is all about what can be termed as “national ethos”.

The Indian ethos is the results of Hindu way of life. Indian life has four fundamental goals (Purushartthas) such as Dharma, Artha, Kama and Moksha. To fulfill these goals human life is divided into four stages namely Brahmacharya, Grahasthasrama, Vanaprastha and Sanyasrama. To achieve the purusharthas, the Indian philosophy states three fundamental ways. They are Karma (Action), Bhakthi (Devotion) and Jnana (Knowledge). An individual can select a particular mraga which depends upon the degree and level of his psychological and spiritual evolution, his Pravirthi, Samskara (Culture), Vasana (Passion), and his Gunas. A man has Gunas namely Satva (the enlightening force), Rajas (the kinetic force) or Tams (dark force).

The Indian ethos consists of:

1. Spirit and matter: Indian ethos [places emphasis on both spirit and mater. Both these are interlinked in holistic approach. This means that man is permitted to enjoy both internal as well as external quality of life.
2. Relationship between man and universe: Indian ethos emphasizes the holistic aspect between men and cosmic. There is intimate relationship between man and universe, between men and nature. This view states that all human beings and nature are inter connected and interdependent.
3. Co- Operation: Indian ethos stresses on co-operation amongst other at work and otherwise. Excessive competition within the organization and organization to organization has destroyed many young minds and family life. Co-operation, mutual trust and respect, joint efforts and team spirit can lead an all round prosperity and success to everyone.
4. Self management: Indian ethos states that man should be able to control himself before he controls others. So every manager must manage himself before controlling his subordinates. He must know what are his strengths, weakness, dreams, goals and ambitions.
5. Meditation: Excellence in work can be achieved through Yoga. Meditation helps to concentrate and to solve many complicated problems of the organizations. Mediation results in calm mind which helps one to focus on problems in a clearer frame of mind.
6. Dharma: As per Indian philosophy Dharma means duty. It stands for all those ideals, philosophies, purposes, influences, teachings and experiences that shape our character. Every organization is required to follow its own dharma.
7. The spirit of sacrifice: Renunciation results in mental peace, inner growth and spiritual growth. It results in a higher level of consciousness.

Indian Ethos in Management (IEM)

Formally, the body of knowledge which derives its solutions from the rich and huge Indian system of ethics (moral philosophy) is known as Indian Ethos in Management (IEM). Is IEM some kind of Hindu concept of management? Certainly not. Management is behavioral science and it has to be culture specific. IEM has as its basis, the culture base of

India and as a country whose culture has its roots in religion - it does draw its lessons from the religions of the land - be it Hinduism, Buddhism, or any other.

The salient ideas and thoughts of Indian Ethos in Management revealed by our ancient scriptures are:

1. Atmano Mokshartham, Jagat hitaya cha: All work is an opportunity for doing well tothe world and thus gaining materially and spiritually in our lives

2. *Archet dana manabhyam*: Worship people not only with material things but also byshowing respect to their enterprising divinity within.

3. *Atmana Vindyate Viryam*: Strength and inspiration for excelling in work comes from the Divine, God within, through prayer, spiritual readings and unselfish work.

4. *Yogah karmashu Kaushalam, Samatvam yoga uchyate*: He who works with calm and even mind achieves the most.

5. *Yadishi bhavana yasya siddhi bhavati tadrishi*: As we think, so we succeed, so we become. Attention to means ensures the end.

6. *Parasparam bhavayantah shreyah param bhavapsyathah*: By mutual cooperation, respect and fellow feeling, all of us enjoy the highest good both material and spiritual.

7. *Tesham sukhm tesham shanti shaswati*: Infinite happiness and infinite peace come to them who see the Divine in all beings.

8. *Paraspar Devo Bhav*: Regard the other person as a divine being. All of us have the same consciousness though our packages and containers are different.

Basic principles of Indian Ethos for Management (IEM):

` The following are the six principles of Indian Ethos for management:

1. Basic principles:
   (a) Tat Tvam Asi : You are the supreme that everybody can make himself a genius.
   (b) Aham Brahmasmi : I have immense potential. I can make the impossible possible.
2. Why Work?

   Atmano Mokshartham, Jagat Hitaya Cha: For my personal growth and for the welfare of the world.
3. What is work?
   (a) Yagnaya Charatah Karma- work is to be done with the spirit of Yagna (Team work, selflessness)

(b) Parasparam Bhavayantah –Nurture each other(Win – win Approach)

4. How to work?

   Seva and Tyag –Serve others and give your best for the good of other.

5. Spirit of Work

   Yogah Karmasu Kaushalam –Dexterity and excellence in action is yoga.

6. The Resources:

   (a)Sukshma or subtle subjective, intangible factors are equally important than Sthula or gross, concrete tangible factors. One must develop one's Third eye, Jnana Chaksu, the Eye of Wisdom, Vision, Insight and Foresight. Inner resources are much more powerful than outer resources. Divine virtues are inner resources. Capital materials and Plant & Machinery are outer resources.

   (b) Karma – Kshetra is Dharma. Kshetra implies that one should treat the work place as sacred and keep it clean and bring in orderliness and cleanliness.

INDIAN ETHOS AND VALUE SYSTEM

Values can be defined as certain attitudes and beliefs that a person follows in his conduct. Those standards as per which an individual judges his own actions, whether he is right or wrong can be called as values. Value system comprises of all those believes and viewpoints that the parents pass on their next generation, they further pass it on to their offspring and so, the legacy goes on and on.

Value system indicates a hierarchy based on ranking of an individual's values in terms of their intensity. A well defined value system is a moral code. Indian Ethos inculcates good value system among individuals.

Value Based Indian Ethos in Management

Principles of Indian ethos in management are universally applicable and it is value based. Indian ethos in management can help an effective and holistic pattern of management which will assure all round growth in productivity, marketing and profitability. The work life of an organization is very much influenced by the ethical and moral values prevalent in the organization. But, a number of institutions all over the world are not giving much importance to the values. Values and dedications automatically bring skill.

Work Ethos

Work ethos or work culture refers to certain norms or behavior governing the conduct of workers involved in a work situation to achieve the organizational objectives. It is the involvement of workmen with work. The factors, responsible for poor work culture in the organization is as follows:

1. Lack of commitment
2. Lack of discipline
3. Pitiable working conditions
4. Outside political interference in the organization
5. High rate of absenteeism
6. Deterioration of general moral standards
7. Lack of recognition of merits by top management.

VALUE-ORIENTED HOLISTIC MANAGEMENT

The most valuable human possessions are health, harmony, happiness, wisdom, and above all character reflecting ethical and human values. When these values are manifested in your thoughts, speech and actions, you are called a noble and enlightened person. As we think sincerely and constantly we become. Our actions and behaviour reflect our ideas and feelings.

We work not for name, fame, money, power and status but for greater worth, for cultivating values, for building up strong character, for wisdom so that our intrinsic values enhances. True greatness is not measured by tangible or extrinsic values such as name fame, etc. But always greatness in life is to be pure, kind, true, selfless. Health is more important than wealth. Character is most important than money.

VALUES: Human and ethical values constitute the wealth of characters. Values express dharma or divine nature as under stood in the East, particularly in the Indian ethos and insight and the ideas of integrity as understood in the West.

Integrity: Integrity is wholeness, goodness, courage, and self-discipline to live by your inner truth.

Wholeness: Wholeness implies totality, soundness, perfection and completeness. In the West, spirit in Wholeness is given only a slight reference. It is nearly forgotten. In all of ours heart’s chamber lives the unworshipped God. We are not aware of the divine presence within thought the divine is constantly looking at the person. Our ego has become the pretended ruler. Ego is the false notion of our mind, because it is ignorant of the reality.

Goodness: It covers all essential values such as honesty, morality, kindness, fairness, charity, truthfulness, generosity etc. We need goodness in our thoughts, our speeches, and our actions. 'Be Good. Do Good' leads to purification of thoughts, talks and actions associated with good thoughts. Good things do not happen easily. You have to make them happen.

Courage: In the world of management, courage points out acts of bravery, e.g. deciding not to conceal something one knows, and needs to be expressed openly. Courage is telling the truth in the face of danger. You have the guts to go ahead, do something which is risky.

Self-discipline: Self-discipline and self-control indicates that the soul is the boss who takes control of the mind and directs the mind and the senses to move on the journey to reach the goal known to the master. When the soul, the individual consciousness, wakes up, we have self-discipline and self-control to deal with life. The quality of life will now be different. That quality of life will give you greater harmony, happiness and moderation.

Living by Inner Truth: Living by inner truth or by inner mind, which is the right instrument within us but which is not known to us unless we go within, may be regarded as the last ingredient of integrity. It is the most important of all. The voice of inner mind can be heard only in silence.

To live by inner truth at work amounts to remain yourself incorruptible, clean and inviolable in this world, which at present is invaded by total crisis on human and ethical values.

Dharma: Dharma is the law of right living the observance of which secures the double object of happiness in your own life and also the happiness in life of others. It stands for all those ideals, purposes, influences, institutions, and the ways of life and conduct that shapes the character and evolution of man both as an individual and as member of the society.

Dharma is the Indian concept almost synonymous with integrity. However it has a wider scope. It includes openly spirit, righteousness (godliness) and fearlessness. Let us review these three divine elements.

Spirit: Man is the soul. He is essentially divine. Dharma directly evolves from spirit. Integrity seems to shy away from it. There is no shyness regarding spirituality in dharma. Dharma is spirit in Indian Ethos. The Western society is secularized. Indian society has a happy union between spiritualism and materialism. Although integrity honors all moral values, it gives only lips sympathy to the spirit through the notion of wholeness. Integrity defines wholeness leaving out spirit. It is the spirit which can bring out a true sense of wholeness. It is the spirit which makes us whole (Poornatva). The inclusion of dharma is like rediscovering a vacant upstairs' room in one's heart chamber. The spirit, our boss, lives there. We imagine that spirit is not within us and the upper floor seems to be empty. Indian ethos openly recognizes the spirit as our boss and declares 'Do right, do good, and be good' and the whole chamber of our heart shines with the Light of Consciousness.

Righteousness: Dharma demands right action. Do the right thing. In dharma, not mere action but rightness is given great emphasis.

Fearlessness: Integrity means courage. Dharma stresses fearlessness. When the divine is present within you and you experience his presence, what is there that can touch you or whom you need fear when He is offering His protection to you? Even a little of His awareness will carry you through all risks and uncertainties.

Remember that the Divine Touch is enough to convert difficulties into opportunities. Of course, you should know the truth about yourself. Dharma is the inner law of one's life. Follow your Dharma and it will protect you or stand by you. We have to comply with our own dharma. Nobody has ever violated dharma without ultimately courting disaster. Adharma ultimately brings certain irremediable fall. Each one has his/her own Dharma. The idea of an individual's own dharma is the insight that shines through Indian insight. The moment we are unconscious or ignore that inner law, our life is paralyzed. We feel isolated or degeneration is sure. No wonder we feel missing and incomplete. Dharma is ethics and spiritualism combined.

Moral and Ethical Values: The mental contents of a good person are called moral and ethical values. This is also called Daivi sampati or divine qualities. Values are also called gunas. Some of the values are:

- Fearlessness
- Calmness
- Loyalty
- Charity
- Integrity
- Humility
- Modesty
- Non-violence
- Generosity
- Integration of thought, action and behaviour

- ❖ Purity of mind and heart
- ❖ Courage

Why do we need value-based holistic management?

Let us see two examples to prove that value-based holistic management is essential and there is no choice:

1. Man machine equation: In the earlier times man was treated as any machine in the organisation, who could be hired and fired whenever the owners felt. Their feelings and emotions were nil for the organisation. It is due to Behavioral Scientists that this situation has considerably improved.Today there are various concepts like Performance Appraisal, Motivation, Job Satisfaction, Job Rotation, etc which draw a line of difference between a man and a machine. Value-oriented management will recognize the divine model of man. This will surely help in eliminating the man machine equation. Human values for managers will honour the core of humanness and bring about harmony and balance between values as ends. We will evolve ajudicious combination between values and skills.

2. Prevention of exploitation of mother nature: Science and technology brought about phenomenal industrialization at the cost of indiscriminate and ruthless exploitation of Nature. It is wrongly assumed that man is having a birth right to draw on resources supplied by nature at his will. Under the holistic approach man and Nature are deeply interconnected and interdependent. Hence, there is no right to exploit Nature for purely selfish motives. As one man exploiting another man is bad so is exploiting Mother Nature bad. Many organisations knowingly and unknowingly pollute the environment. Value-based holistic management alone can prevent this exploitation of Mother Nature.

RELEVANCE OF VALUES IN MANAGEMENT

In the growing age of complexities corporate must attach great importance to customer values, shareholder values, employee values, societal values and leadership values. According to Dr. Athreya “value based management is a good recipe for long-term success of a corporate. Living on principles and values is a must for every corporate manager “

Values and ethics are the key elements for the success of a business. Organization is just a composite of individuals and that the values of the organization are only a derivative and inference from the collective value of individuals. Human values based on spiritual reality constitute the bedrock and foundation to build the ethical and moral edifice of management on top.

Management must work continuously to develop organizational values. Excellent organizations must have values and it is the duty of management to shape values that are service oriented and ethical. Values are previous reminders that the individual obey to bring order and meaning into their personal values. Without values there is no guideline for direction. The key ingredient of any culture is values. Often misunderstood, values are simply preferences and priorities, which reflect what's more important. In all organizations, values are at work every day.

If an organization values profit, productivity and quality it will prefer to operate in a way that prioritizes action and behavior that reflects those values. Another organization that values innovation, research and learning will prefer to operate in a way that prioritizes action and behavior that reflects those values. For either organization, if the values that are influencing daily behavior and actions are not aligned with the strategies then their performance and results will suffer.

ETHICAL MANAGEMENT

To create an ethical organization certain steps are to be taken. Ethical or unethical behavior of individual employees is influenced in the workplace both by their own moral development and the influence that the organization culture exerts on them. They are influenced by a group of forces that surround them such as their peers, their supervisors, and superiors, the reward system, group norms, company values and policies and the manner of their implementation. Ethical behavior can be developed and managed in a number of ways. The pivotal role to manage and develop ethical behavior among employees lies with the human resource management of that organization. Human resource management department can execute this through training, communication and discipline. The big organizations which are ethically committed, assign the primary task of managing and monitoring ethical behavior to HRM department. In some other organizations, there may be ethics officers who are entrusted with the responsibility to bring ethics and managed ethics in every endeavor of their organization.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility (CSR) is a type of international private business self-regulation that aims to contribute to societal goals of a philanthropic, activist, or charitable nature or by engage in or support volunteering or ethically-oriented practices. Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is how companies manage their business processes to produce an overall positive impact on society. It covers sustainability, social impact and ethics, and done correctly should be about core business - how companies make their money - not just add-on extras such as philanthropy.

Stakeholders of CSR

Stakeholders are described broadly by Freeman and Reed (1983) as any identifiable group or individual who can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives.

In other words, a person, group, or organization that has direct or indirect stake in an organization because it can affect or be affected by the organization's actions, objectives, and policies. Key stakeholders in a business organisation include creditors, customers, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources.

Although stake-holding is usually self-legitimizing (those who judge themselves to be stakeholders are stakeholder), all stakeholders are not equal and different stakeholders are entitled to different considerations. For example, a company's customers are entitled to fair trading practices but they are not entitled to the same consideration as the company's employees.

Corporate Philanthropy

The origin of the word philanthropy is Greek and means love for mankind. Today, philanthropy includes the concept of voluntary giving by an individual or group to promote the common good. Philanthropy addresses the contribution of an individual or group to other organizations that in turn work to improve the quality of life for all citizens or residents.

Corporate philanthropy involves the act of donating to a charity or a foundation whose mission is to fight a cause and deliver social impact. The donations can consist of monetary help as well as in-kind contribution.

Corporate Governance

Corporate Governance comprises, most basically, a broad range of principles and mechanisms assuring due control of power in order to "protect the interests of stakeholders of business entities".48 A broader definition of "good governance" is the "proper way" of doing business, while respecting "due diligence" in all aspects of business, to speak in legal, but also ethical terms. Basically, CG is concerned with internal processes and decisions rather than external stakeholder groups. Internal “good governance” rules date back well into the 19th and 20th century, when rights and responsibilities of corporations and their workers were first negotiated as a means of achieving just governance within the firm. Today, Corporate Governance comprises above all the assurance of sufficient transparency in decision-making processes: It addresses the way power and control are distributed, corporate boards are composed, what mechanisms of supervision and evaluation of executive performance are in place, how executive pay and incentives, as well as appointments and renewals of positions are determined, who has the right to nominate potential directors, how transparent internal procedures generally are, what degree of influence and information rights shareholders and directors dispose of, how well the flow of information between executives and the board, and thereby the firm’s owners, works, and whether the corporation’s “leadership climate” is characterized by exclusion or cooperation. Transparency requirements, as the single most dominant feature in today’s CG discussions, are mostly concerned with shareholder/owner protection, and primarily directed towards increasing “shareholder justice” in the sense of opening up possibilities for owners to exercise influence on executive decisions. The same principle holds true for most of the Corporate Governance Codes and guidelines that have been consecutively issued in most industrialised countries: Most of these guidelines are about the establishment of efficient mechanisms of control and surveillance, be it through external (non-executive) directors or through truly independent auditing, which is frequently threatened in practice, above all, if the auditors are (re-)assigned by the same top executives they are expected to evaluate – a system that obviously reduces the risk for those top executives to be confronted with management-critical reports. Increased independence and integrity in auditing, in the end, also aim at increasing investor confidence in the firm and at improving shareholder relations (for the sake of whole financial marketplaces).

In short, Corporate Governance is about constraining executive power to the benefit of certain stakeholder groups, with huge emphasis set on owners – so far. The existing CG initiatives are, as mentioned already, more focused on investor interests than the definition of Corporate Governance would actually demand. Another key stakeholder group that has as much of a vital interest in transparency and more open and inclusive decision making processes, namely employees and their representatives, are largely neglected by CG legal or discretionary initiatives.

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