U.P.Rajarshi Tandon Open University, Allahabad

Block
1
Management Concept and Principles

विशेषज्ञ –समिति

लेखक

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सम्पादक

परिमापक

अनुवाद की स्थिति में

मूल लेखक	अनुवाद
मूल सम्पादक	भाषा सम्पादक
मूल परिमापक	परिमापक

सहयोगी टीम

संयोजक   Dr. Gaurav Sankalp, SoMS, UPRTOU, Allahabad.

Block 1 : Management Concept and Principles

Block Introduction

Block one of management concept and principle contains units. Unit One deals with concept of management. Unit Two explores the various dimensions of organistion. Unit Three highlight the views of various management thinkers. Unit four explains important approaches to management.

UNIT- 01   Concept of Management

Unit Structure

1.0   Introduction

Take a close look at the society around you. You will find one of the most essential human activity is management. You would also find the existence of several organizations. To mention a few, the business organization, which produce goods or services, hospitals, religious and social institutions like, Schools College and universities. They all affect our lives in many ways.

All these organizations exist to achieve predetermined objectives set by top management. It must also be noted that organizations can not achieve the objectives effortlessly. They are achieved through systematic and well organized efforts. Several functions have to be performed in a cohesive way, to achieve the objectives. It is no wonder that the resources of organization would simply remain as resources. As such it is the function of management to facilitate the performance of activities in such a manner that the accomplishment of the objectives becomes possible.

Thus, this unit will present concept, nature, scope and purpose

of management. It also clarifies whether management is a art or science and also differentiate between management and administration. Lastly, you can list and analyse skills of manager.

1.1   Objectives

The objective of this unit is to enable you:

·   To know the concept of management,

·   To know Nature, Scope and Purpose of Management,

·   To know Whether management is an Art or Science,

·   To know the difference between Management and Administration, and

·   To know what exactly are the skills of a Manager.

1.2   Concept of Management

Management is the mobilization of an institutions resource like land, labour and capital to attain predetermined objectives set by top management. Management is virtually applied in every type of organization, what ever its size or purpose. A food plant, a state owned University a Hospital, services of a Bank all need management.

Management is the first of the modern institutions to shape the society. It plays a vital role in modern world. It regulates man's productive energies. It organizes factors of production.

Management is understood in different ways by different people. Economists regard it as factor of production, sociologists see it as group of persons, while practitioner of management treat it as a process. For our knowledge management may be viewed as what a manager does in a formal organization to achieve the predetermined objective.

It has been called by Merry Parker Follet "the art of getting things done through people". This definition throws light on the fact that managers achieve organizational goals by enabling others to perform rather than performing the task themselves.

Now, we can say management is the art of establishing effective cooperation among the various parts of business organization. By the term management we try to refer to planning, organizing, controlling, motivating and coordinating the activity of all level of employees engaged in the various function the organization in such a manner that the objective of the organization can be achieved in systematic manner, at minimum cost and maximum efficiency.

However it is very difficult to define a vast subject like management in few lines. The term management can be defined as an activity of managing the resources and the efforts of individuals concerned in order to achieve defined objectives. Different scholars have defined management in different point of views like:

· Management as a function

· Management as an activity

· Management as a discipline, and

· Modern approach.

Note: Definitions relating to management as a function, management as an activity, management as a discipline, modern approach, need to be given as market under

Thus, an efficient management makes selection of the most suitable manpower as per the requirements of the specific job, makes appropriate arrangement of requisite raw material, equipments and tools, applies right technique and method of work and more over directs control and coordination to the efforts of different individuals and groups.

In short, we can say that management is the achievement of the business objectives by the best possible integration and utilization of the physical and human resources of an enterprise. Management is a dynamic element, which gives a life to a business enterprise. The productive resources such as materials, men and money are entrusted to the administrative ability, enterprising initiative and managerial skills of management. After analyzing the above to sum up **"Management is the social process, which is helpful to achieve institutional goals in a dynamic environment."**

1.3 Nature, Scope and Purpose

The practice of management in daily life is very old. In fact much of the progress of mankind over the centuries may be attributed to the effective management of resources, the agriculture system, existence of public utilities, the construction of various monuments etc., demonstrate the systematic practice of management in the olden days also. The ancient civilizations of Mesopotamia, Greece, Rome and Indus valley displayed the marvelous results of systematic management practices.

However, the study of management in a systematic way as distinct body of knowledge is only of recent origin. That is why management scholars are often described as **"oldest of the arts and youngest to the sciences".** Thus the practice of management is not new. It has been practiced for hundreds of years. But the scientific part of it "the systematic body of knowledge is, no doubt, a phenomenon of the present century".

The traditional management practices remained quite stable through the centuries until the birth of industrial revolution in the mid 18th century. The industrial revolution brought about the substitution of machine power for man power through several scientific inventions. As a result within a few decades the picture of industrial activity had undergone a metamorphic change. Man's quest for new ways of doing things, coupled with his ingenuity in adopting the scientific and technological inventions in the production of various goods and services resulted in:

·   Mass production in anticipation of demand.

·   Advent of corporate form of organization which facilitated such large scale production.

·   Spectacular improvements in the transport and communication facilities.

·   Increase in competition for markets, and

·   The establishment of the new employee relationship and so on.

Therefore, Management is an activity concerned with guiding human and physical resource in such a manner that organizational goals

are achieved as desired. The main characteristic that throws light on nature of management may be as follows:

1. Management is process of organized and systematic activity. it is concerned with the efficient use of resources of production. This process is made up of some interrelated elements like, planning, organization, leading and controlling. Scholars believe that **"Management is not people, it is an activity"** and those who perform this activity are designated as managers.

2. It deals with the achievement of some thing targeted and specific, expressed as an objective or goal. Management success is commonly measured by the extent to which the objectives are achieved. Management exists as it is an effective means of getting needed work done. Management has no justification to exist without objectives.

3. It is concerned with the efforts of a group, works in cooperative group with joint activity. Management is essential wherever people work together for a common cause. Management plans, organizes, coordinates, directs and controls the group efforts not the individual efforts.

4. The principles and functions of management are of universal in nature and application. They are not the monopoly of industry alone, but can be applied in any field or area where group effort is required. The basic and main characteristics of management activity are the same whether the organization to be managed is a family, a club a sport union, a municipality, a business firm or the university. Slight variations in approach and style may be there from organization to organization, but management activity is basically the same every where. From the playing Field, to the battle ground, the need for an able management is needed at every step. Now, we can say that no task in any corner of the society can be carried out successfully without proper establishment of management.

5. The process of management is largely a social one because it involves the interrelationships of people at work. The presence of human element gives management a special characteristic of a social process. The function of management is mainly related to the activities of social man.

6. Management represents a separate class of managerial personnel who are quite different from the identity of workes and capitalists. It is a class of administrators and planners. Managers need not to be owners. In modern *LPG industrial society* labour, management and capital are different entities.

7. Management is a profession because it has all the characteristics of a profession. Management also requires specialized knowledge and training like any other profession.

8. Making decisions is a real identity of a manager. He acts as a planner and thinker. He actually decides the path of action, strategies, policies and programs, through making decisions. Thus, management is always a systematic decision making process.

9. Management is an invisible process. It cannot be seen; rather its presence can be felt by the result of efforts made within the organization in the form of product and productivity.

10. Each and every managerial activity is performed to achieve a predetermined objective. To achieve that goal is considered to be the success of the management.

11. Management is a continuous process which requires constant thought, analysis and decision making. The manager constantly evaluates and reviews the problems in front of him and takes decisions best suited for a given situation. Each problem requires a different handling, accordingly a different solution. A manager choses his path after great deliberation and then proceeds forward. As the situations and revising his decisions, accordingly. That why management is a continues process.

12. The success or failure of management depends on the administrative ability, knowledge related to management, experience, expertise and behavior of the manager.

Management is fundamental to all organized human activities. The scope of business management is very wide. The field of management is constantly expanding. Management is not confined merely to business field in fact; it has expanded to non-business areas also.

However, Management is a universal process because it is used in every sphere of life wherever some persons unite to achieve a common

goal through which their cumulative efforts can be planned, organized, coordinated, directed and controlled. The universality of management has made its scope worldwide. Although, it is difficult to precisely define the scope of management, yet the following may be included in it:

·   Planning, organization, direction, coordination and control are the main tasks path of management. The various dynamic functions like innovation, entrepreneurship, representation, creativity, public relation-are also part of the manger's job, although the importance attached to each one may very at different times and in different places.

·   Management plays different roles according to their authority, status and rank. They act as figurehead, leader, and liaison officer in organization. In performing the decision-making role, Mangers act as entrepreneur, disturbance handler, resources allocator, and negotiator. Manager also performs informational roles by monitoring and giving information.

·   Management is required in various business activities or areas like production, marketing, or purchase. Business needs managerial principles to manage activities. The Indian management gurus have divided the functional areas of management into the following categories:

●   Production management,

●   Financial management

●   Development management

●   Distribution management

●   Purchasing management

●   Transport management

●   Maintenance management

●   Personal management

●   Office management.

Viewing the above areas of management, it can be said that in all areas of economic activities, management has progressed. The scope of management has been today raised from national to international level.

Management is dynamic and life giving element in every business organization. In the absence of its leadership, the factor of production remains merely a factor, cannot become a producer. So it is very clear that in every sphere of business, that from where direction is given is called management. Management is nothing but a group of persons that directs and controls according to planning.

Now, we can say that the main purpose of management is the achievement of the business objectives by best possible integration and utilization of the physical and human resources of an enterprise. Following are the list of few sub purposes of management:

1.   To eliminate Industrial disputes.

2.   To reduce Production cost.

3.   Best utilization of resources

4.   To achieve target of yearly planning.

5.   To face mutual and healthy competition.

6.   For quick industrialization

7.   To increase employment opportunities.

8.   To increase the pace of capital formation in organization.

9.   To take advantage of modern information and communication technology, and

10.   For fulfillment of social responsibilities of business organization.

1.4   Management: a Science or an Art

A question often raised is whether management is now a science or is still in are realm of an art. To gain a correct perspective as to what management is, let us examine the exact nature of management. Whether it is a science or an art, an understanding, therefore, of the exact nature of science as well as art may help in resolving the problem to a larger extent.

Whether management is science is still an on going debate among management "Gurus" and Practioner's. Some experts contend that management is really an art, some other practioner's are of the opinion that management is a science. Let's begin with understanding of science.

Science is systematic body of knowledge to inquiry. In other words, it is generally understood, is organized knowledge. Therefore any branch of knowledge must fulfill following conditions:

· The existence of a systematic and organized body of knowledge encompassing a wide array of principles.

· The principles have to evolve on the basis of constant enquiry and examination.

· The principle must explain phenomenon by establishing cause-effect relationship,

· The principles have to be amenable for verification in that they must be universally applicable.

· Science is related to an area of specialization.

The application of above principles helps any practicing manager to achieve the pre-desired objective. However, while using the principles, one should not lose sight of the variables in the situation, since situations differ from one to the other. Though management, considering its subject matter and practical utility may be considered as science for reasons discussed below, it cannot be viewed as an exact science. In other words, it is a science, but an inexact science because:

1. Management by definition involves getting things done through people. Compared to the other inputs, people who constitute the human resource of any organization are unique in respect to their aspirations, attitudes, perceptions and the like. Dissimilarities in the behavior patterns are so obvious that standard results may not be obtained in otherwise similar conditions.

2. The behavior of the human beings can not be accurately predicted. Hence ready made and standard solutions can't be prescribed.

3. Management is more concerned with future which is complex and unpredictable. Changes in the environment may affect the plans and render them ineffective.

4. Lastly we can say since a business organization exists in an environment, it has a two way interaction with the environment. The organization influences the environment by its several decisions and

in turn, Is influenced by the various elements of the environment. Important among these are technological, economic, socio-cultural and political factors. The wholething is so complex that however effective the plans are, one is prone to be influenced by the unexpected changes in the environment.

Unlike pure or exact sciences, where the results are accurate, in the case of management, the various factor discussed above may force even the excellent plans and strategies go haywire. Too many complexities and uncertainties render management an inexact Science.

On the other hand some management experts contend that science is knowledge, art is action. The process by which the principles and policies of science are changed into an active form is known as Art. Art actually means the use of personal skills to do a particular work or job or to achieve an objective.

Thus, Management is one of the most creative of all arts. It is the art of arts because; it is the organizer and utliser of human skills to gain desired results. It is the know how to accomplish a concrete result. Art teaches us "to do". Therefore in the light of above discussion let's prepare the list of essential features of art:-

· Art is a group activitiy.

· With the help of facts, art achieves aims and objectives.

· Cleverness, experience and personal skills are necessary for art.

· It requires learning of the skills and know-how.

· It involves practical application of the theoretical Knowledge.

· It is 100% result oriented.

· It encompasses creativity and innovation.

Science vs Art

Science	Art
• Advances by knowledge	• Advance by practice
• Predicts	• Guesses
• Measures	• Opines
• Impresses	• Expresses
• Proves	• Feels

Therefore, it is not to answer whether management is to be treated as a science or an art but now it is clear from the above discussion that management combines the features of both the disciplines. The science of management provides certain general principles, which can guide the managers in their professional effort. On the other hand the art of management consists in tackling every situation in an effective manner.

Thus, Science and Art are complementary fields of knowledge. Science discusses and documents, Art creates and motivates. Effective practice of any art requires a thorough understanding of the science underplaying it. However science and art not mutual exclusive, but are complementary. Executives who attempt to manage without the conceptual understanding of the management principles and technque have to depend on luck and intuition. With a sound and systematic knowledge and the necessary skills to use such knowledge, they have a better chance to succeed. ***Therefore, we can conclude that management is both a science and an art.***

1.5   Management Vs Administration

The word Administration and Management are often used synonymously but there has been divergent opinion among scholars and practioner's over their question, whether there is a difference between the terms management and administration. Some scholars regard management and administration, as one and the same thing, while others take these terms as different. It is difficult to draw a line of demarcation between the spheres of these two today. Thus before making any kind of difference between the two, let's understand both concepts one by one.

1.   **Administration: -** Administration is the function in industry which is concerned with the determination of the corporate policy, the coordination of finance, production and distribution. It is the compass of the organization, meaning thereby deciding in which direction the company should move. Administration is the ultimate control mechanism of the organization. Administration defines what is to be done in other words the goals of organization and makes appropriate

arrangements for the attainment of these goals. Administration is concerned with overall determination of policies and major activities.

 2.   **Management**:- Management is a function which is concerned with the execution of policy with the limits set up by administration and employment of the organization for the particular object set before it.

Thus we can say that administration determines the policies upon which the enterprise is to be run, while management carries out the polices laid down by administration. thus, Administration is a process of determining aims and objectives for which the organization and its management operate, whereas management is concerned with direction and guidance of the organizations operation for accomplishing such objectives.

However, in actual practice it is difficult to separate in this way the thinking and the doing aspects. Actually every manager or what ever designation is used, discharges both administrative and managerial functions. The top management level of an enterprise is naturally concerned with establishing objectives and prescribing broad policies. As top descends the management hierarchy, increasingly greater emphasis in placed on the executive aspect.

In this context, at time, the top management level or the upper level is described as **"Administrative Management".** While the lower level is called "Operative Management".

On the analysis is of the above discussion in this regard, three conclusions can be draw:-

·   Management and administration are different functions.

·   Management as a generic term includes administration.

·   Management and administration are two sides of the same coin

Thus, the word management and administration are often taken to be synonyms. But strictly speaking, these words differ from each other and are not inter-changeable. Let's define distinction between Management and Administration on various basis:-

1.   **Application: -** Management is applicable to business institutions. On the other hand,administration is applicable to non-business

institutions like government office, military organizations, social, religious and other organizations.

2.   **Nature of work: -** Administration is concerned mainly with the determination of objectives and major policies of an organization. On the other hand management puts the policies and plan into action laid down by administration.

3.   **Decision making: -** Management takes routine-decisions; their decisions are affected by organizational considerations. While important decisions are made by the administration, these decisions are affected by govt. policies, public opinions and social factors.

4.   **Executive control: -** Management is a general name for the total process of executive control in industry or business. It has responsibility for the effective planning and execution of operations of the enterprise. On the other hand administration is responsible for overall determination of policies and goals of the organization.

5.   **Ability: -** Management requires technical ability more than administrative ability while administration needs administrative ability.

6.   **Expansion of functions: -** Management functions contract at the upper level and expand at the lower levels but administrative functions expand at the upper level and mitigate in importance at the lower levels.

7.   **Co-ordination and Control: -** Management uses organization for the achievement of the targets fixed by administration. While, Administration coordinates finance, production and distribution. It frames the organization structure and exercises control over the enterprise.

8.   **Static Vs Dynamic: -** Management is dynamic and infinite and is especially concerned with giving added value to the inputs. It endeavors to improve the value of the resources entrusted to it and as such, is productive in character. While administration is also dynamic and has to perform in the development of enterprise.

9.   **Direction of human efforts: -** Management is mainly concerned with the direction of human efforts in the execution of the plan and policy. While, administration is not actively concerned with the direction of human efforts in the execution of the plan or policy.

10. **Importance:-** Management is more important at supervisory or lower levels. On the other hand, administration is more important at higher levels of management.

Writers like William Newman, Harold Kountze, Dolton E. McFarland, Earnest date hardly maintain the distinction between the two terms, any attempt to stretch the matter too far may be self-defeating and thoroughly misleading the compartment a lisation hardly serves any useful purpose. The management process is the same in all organizations and there is hardly any need to appoint two individuals to discharge the administrative and managerial functions a manager or for that that matter an administrator, has to wear both the hats gracefully in order to be effective and successful.

1.6 Skills of a Manager

In the organization, job of a manager is different from other jobs. It requires leadership and commitment towards purpose. It involves the obligation to make prudent use of human and material resources. It requires rational judgment to handle complex working situations. Further the nature of the job becomes increasingly complex at each higher level because of the increase in the scope of authority and responsibility. Therefore at each level a manager has to have increased knowledge, broader perspective and greater skills. Let's described and understand various skills of a manager:-

1. **Planning skills:-** Planning means making plan for the future work. Planning is the foremost and major function of a manager. Thinking and preparing an out line of work before starting any work is the prime role of a manager. In simple words, what is to be done in future to achieve the predetermined goals, how it is to be done, when it is to be done and who has to do it, is represent the rational thinking of a manager. Hence for a manager planning skills will include the following:-

·   Determining the firms objectives to be achieved,

·   Establishing planning assumptions,

·   Ability to formulate policies, procedures and rules,

·   Ability to determine alternative course of action,

·   Ability to evaluate the alternative courses and selecting the right type of action,

·   Ability to formulate alternative plans to support the basic plan,

·   Ability to numbering plans by budgeting.

With growing complexity in the operation of large organizations, managers are expected to acquire skills to interact with intermediate planning systems such as information and computer technology.

2.   Organizing skills: - Planning is concerned with where to go, while organizing is the vehicle used to get there. Organizing is the process by which the structure and allocation of jobs are determined. To organize a business is to provide it with everything useful to its functioning-raw materials, tools, capital, personnel. Organizing provides the formal structure through which work is defined, subdivided, and coordinated. Hence for a manager organizing skills will include the following:-

·   Being able to identify and analyze the activities to create departments,

·   Being able to group similar activities to create departments,

·   Being able to assign work and then activate various groups and departments.

·   Being able to define and delegate the responsibility and authority, and

·   Being able to establish relationship among all individual jobs.

3.   Directing Skills: - Another function of management is directing. This is also termed as leading. While planning explain us what to do and organizing explain us how to do, directing explain us why the employees should want to do it. Directing is concerned with guiding and leading people. It consists of supervising and motivating the subordinates towards the achievement of set goals. It entails enterprise impersonal relations. Direction indicates action and puts the enterprise into motion. Hence for a manager directing skills will include the following:-

· Being able to exchange ideas and information in order to create mutual understanding,

· Being able to issue orders and instructions to the subordinates,

· Being able to inspire employees to work with zeal,

· Being able to oversee subordinates at workplace with a view to guide and regulate their efforts, and

· Being able to influence people to accomplish set task and achieve goals.

4. **Controlling Skills: -** Controlling is evaluating the performance and applying corrective measures so that the performance takes place according to plan It is reviewing the performance of the employees in the light of the targets and goals. Controlling exists at every managerial level. It operates on activities, resources, and persons. Hence for a manager controlling skills will include the following:-

· Being able to establish standards of desired performance,

· Being able to measure the actual performance, and

· Being able to compare the performance against the established standards and taking action to correct performance that does not meet those standards.

5. **Staffing Skills: -** Staffing skills equip a manager to recruit and select suitable personnel for manning the jobs. It is the function of determining and meeting the manpower requirements of an enterprise. It is concerned with the management of human resources.

6. **Coordinating Skills:-**Some experts consider coordination as a separate and dynamic function of management. It is blending the efforts of all employees for an efficient organization. It is an integral part of all other functions. For coordination a manager must have the skill to harmonize all the activities, decisions and efforts of an organization, so as to achieve the unity of action.

7. **Decision Making Skills: -** Managers are paid to make decisions and act on them. Decision-making is an integral part of managing. when manager plans, organizes, directs, or controls, he is making decisions. Thus it is the gist of all functions of management. Hence decision making skills will include the following:-

·   Being able to select course of action consciously, chosen from available alternatives.

·   Being able to generate and evaluate alternatives and make choices among them because it is inherent in every managerial function.

·   Being able to arrive at a conclusion or judgment so that predetermined objectives of the organization can be accomplished in a profitable manner..

8.   **Innovation Skills: -** Innovation skills are the true and dynamic character of the manager. Innovation means developing new ideas, new products, new quality or devising new methods of work. In other words, the real manager is always an innovator.

9.   **Representation Skills: -**This skill includes representing organization in dealings with outside groups-government officials, unions, civic groups, financial institutions, customers, suppliers, and the general public. This skill is important due to growing awareness toward social responsibility of business.

10.   **Administrative skills:-**The manager always has to administer. This job is to optimize the yield from resources. It is doing better what is already being done. It means focus on costs. Hence administrative skills will include the following:-

·   Being able to make effective the very small core of worth while activities,

·   Being able to bring the business all the time a little closer to the full realisation of its potential.

11.   **Technical Skills: -** Technical skill refers to the ability to use the tools, equipment, procedures, techniques and knowledge of a specialized field. It is primarily concerned with the ways of doing things. It implies proficiency in a specific field of activity. Technical skills are most important for the lower level managers. The relative importance of the technical skills as compared to the other skills diminishes as one moves up to higher levels of management.

12.   **Human Skills:-**Human skills are primarily concerned with persons, as contrasted with "things." When a man is highly skilled in

employee relations, he is aware of his own attitudes, assumptions, and beliefs and recognizes their limitations as well as their usefulness. He accepts, as an important fact of life, the existence of viewpoints and feelings, different from his own. Thus, human skill refers to the ability of the manager to work effectively as a group member and to build cooperative effort in the team he leads.

13.   **Conceptual Skills: -** Conceptual skills extend to visualizing the relation of the organization to industry, to the community and to the political, economic and social forces of the nation, as a whole and even to forces which operate beyond the national boundaries. It is the creative force within the organization. A high degree of conceptual skill helps in analyzing the environment and in identifying the opportunities and threats. This skill is also called design and problem solving skill. Conceptual skills, will include the following:-

·   Being able to see the organization and the various components of it as a whole,

·   Being able to understand how its various parts and functions mesh together, and

·   Being able to foresee how changes in any one of these many affect all the others.

1.7   Summary

Management is the first concept of the modern business organizations. Management is the first of the modern institutions to shape the society. It plays a vital role in modern world. It regulates man's productive energies. It organizes factors of production.

Management is fundamental to all organized human activities. The scope of business management is very wide. The field of management is constantly expanding. Management is not confined merely to business field in fact; it has expanded to non-business areas also. The scope of management has today raised from national to international level.

A question often raised is whether management is now a science or is still in the realm of an art. Science discusses and documents, Art creates and motivate. Effective practice of any art requires a thorough

understanding of the science underplaying it. Science and Art are complementary fields of knowledge. There fore management is both a science and an art.

The word Administration and Management are often used synonymously but there has been divergent opinion among scholars and practioner's over the question whether there is a difference between the terms management and administration. But strictly speaking, these words differ from each other and are not inter-changeable.

In the organization, job of manager is different from other jobs. It requires leadership and commitment to the purpose. It involves the obligation to make prudent use of human and material resources. It requires rational judgement to handle complex working situations. Further the nature of the job becomes increasingly complex at each higher level because of the increase in the scope of authority and responsibility.

Therefore at each level a manager has to have increased knowledge, broader perspective and greater skills relating to Planning Organizing Directing Controlling, Staffing Coordinating and Decision Making etc.

1.8 Key words

Management: - Management is the social process, which is helpful to achieve institutional goals in a dynamic environment.

Administration: - Administration determines the policies upon which the enterprise is to be run.

Objectives: - Objective is the main motive to influencing the way of behavior that encourages a person to work.

LPG: - Liberalization, Privatization, Globalization

Science: - Science is systematic body of knowledge to inquiry. It is generally understood, to organized knowledge.

Art: - The process by which the principles and policies of science are changed into an active form is known as Art.

Planning: - Planning means what is to be done in future to achieve the predetermined goals, how it is to be done, when it is to be done and

who has to do it, It is prior estimation which represent the rational thinking of a manager.

Organizing: - Organizing is the process by which the structure and allocation of jobs are determined.

Directing: - Directing is concerned with guiding and leading people. It consists of supervising and motivating the subordinates towards the achievement of set goals.

Controlling: - Controlling is evaluating the performance and applying corrective measures, so that the performance takes place according to plan.

1.9 Important Questions

Q1) Explain the concept of Management. Also define its nature, scope and importance?

Q2) Critically examine and present your views, whether management is a science Or an art?

Q3) Define Administration? How it is different from Management?

Q4) Describe various skills of a manager.

Q5) "Management is a social process, which is helpful to achieve institutional goals in a dynamic environment" Comment.

Q6) Explain various planning skills for a successful manager?

Q7) Differentiate between Innovation and Technical skills of a manager?

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UNIT- 02 Organization

Unit Structure

2.0   Introduction

In first unit you have studied basics of management; this unit will present the concept of organization and its pervasiveness in detail. It's a establish fact that the origin of organization has been spontaneous. It came into existence in the early stages of human evolution, when persons began to cooperate and combine together to achieve to a predefined common goal. Success of any management is based on proper and sound organizational structure, which is concerned with determining responsibility and assigning of authority to different superiors and

establishing proper interrelationship among them for achieving the desired objectives. It has been rightly pointed out that an organization is not an end in it self, it is a means towards an end that is the accomplishment of institution goals.

2.1 Objectives

The objectives of this unit are to enable you-:

- To know organization and its pervasiveness by different angles,

- To know reasons for organizations, and

- To draw significance of goals in organizations.

2.2 Organization and its pervasiveness

It is an established fact that organization is the backbone of management. It is concerned with the building, developing and maintaining of a structure of working relationship in order to accomplish the objectives of the enterprise. The success or the failure of an enterprise depends largely on the nature of its organization.

2.2.1 Meaning of Organization

The term "organization" refers to a mechanism which enables men to live together. It carries two distinct meanings. In the sense of structure, it refer to a system, whose parts are related to and are dependent on one another. On the other hand, in the sense of a process i.e., the way in which work is arranged and allocated among the members of the organization. In other words, organizing refers to the process of bringing together physical, financial and human resources and establishing productive relations among them for the achievement of specific goals.

The need for organizing has grown with the expansion in size of business units. When a large number of people are employed in an enterprise, activities also get dispersed, the need for formal organizing becomes a absolutely necessary. Organization provides the framework within which managerial functions of planning, directions and control take place.

Hence, persons working together effectively, each doing what each can best do and persons achieving the best result are basic in the concept organizing.

2.2.1.1 Organization as a group

The term 'organization' is commonly used to represent a group of persons engaged in pursuing common objectives. The group members lay down patterns of communication and rules and regulations to control their activities. They also define authority-responsibility relationships among themselves. Thus, we can say

"An organization is an identified group of people contributing their efforts towards the attainment of common goals".

The features of organization as a group are as follows:

· It represents cooperative relationships of two or more persons.

· It is created to achieve certain common objectives.

· The group members are in a position to communicate with each other.

· The group lays down rules and regulations to regulate the behavior of group members.

2.2.1.2 Organization as a process

This view regarding organization as a process is gaining much popularity these days. It involves the grouping of activities necessary to accomplish goals and plans, the assignments of these activities to appropriate departments and the provision of authority delegation and coordination.

As a process, organizing is concerned with arranging in a logical and orderly manner the activities of all the employees. It also creates relationship of one job to another and lays down the scope or limits of authority and responsibility.

2.2.1.3 Organization as a structure

According to some scholars organization is merely a structure of relationships between the various positions in an enterprise. It is the structural framework of duties and responsibilities required of personnel on performing various functions within the company. It is essentially a

blue print for action resulting in a mechanism for carrying out functions to achieve the goals set up by the company.

If this view is accepted the organization will mean merely a chart of relationships but an organization is certainly more than a chart of relations .Formal relationships are only one side of the coin, Informal relations are equally important .As already said, an organization is an entity consisting of individuals, objectives and relationships among the individuals. It should not be taken to mean only a structure of relationships.

2.2.2 Objectives of organization

Organization refers to the assembling of various elements of business such as workforce, capital, raw materials, machinery, energy, information etc. in order to establish a harmonious and functional relationship among them. To understand pervasiveness of the organization we have to list various objectives of organization, they are such as:-

1.   Sound organization makes for effective management. It enables smooth operation of the enterprise by providing a framework within which management can perform the functions of planning directing, controlling etc.

2.   Growth and diversification become possible due to systematic division of work and consistent delegation of authority. An organization facilitates changes necessary for taking up new activities and new lines of business. An ideal organization would provide the flexibility and strength necessary for meeting new demands.

3.   A sound organization would help in the optimum utilization of technological innovations and human resources. It will avoid duplication of work and overlapping of work and overlapping of efforts. Optimum use of technological improvements can be made through a sound structure manned with efficient employees.

4.   In a sound organization, every individual is assigned the job for which he is best suited. The assignment of right jobs to right person improves job satisfaction and interpersonal relations.

5.   A well designed organization demands creative effort, encourages innovation and permits extensive delegation and decentralization. A sound organization also helps in the continuity of the firm by providing scope for the training and development of executives.

6.   Organization is an important means of unifying and interacting individual efforts. Its objective is putting balanced emphasis on different activities and in establishing effective relationships between the different departments or divisions of the enterprise.

2.2.3 Characteristics of Organization

A proper analysis of the above discussion reveals the following characteristics of an organization:

- It is a group of individuals which may be large or small.

- The group in the organization works under the executive leadership.

- It is a machine or mechanism of management.

- It has some directing authority or power which controls the concerted efforts of the group/

- The division of labour, power and responsibilities are deliberately planned.

- It implies a structure of duties and responsibilities.

- It is established for accomplishment of common objectives.

- It is a functional concept.

2.2.4 Process of Organization: -

The process of organization includes following steps which are as under-

(1)   To divide the jobs to be performed by different workers.

(2)   To divide into various departments and fields and thereafter to sub divide into groups and sub groups the processes relating to each other.

(3)   To allocate jobs to the workers keeping in view their physical and mental ability.

(4)   To delegate authority to the workers.

(5)   To maintain co-ordination among the activities to be performed by different departments.

2.2.5 Elements of Organization: -

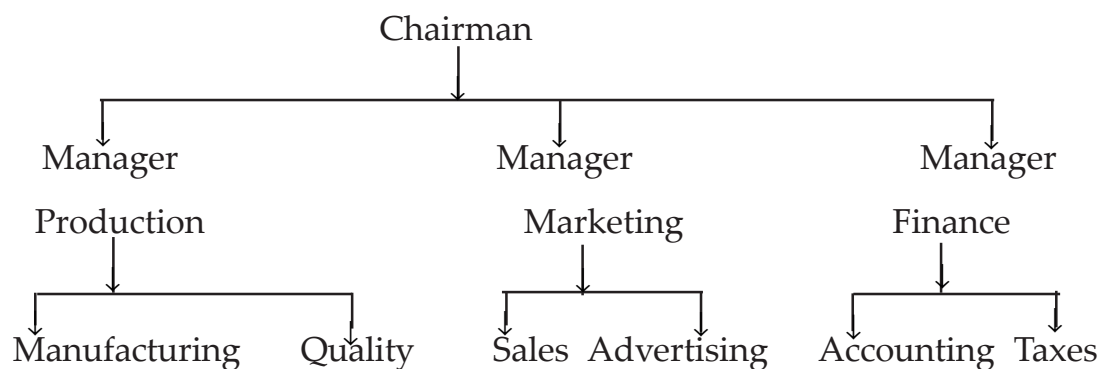An organization has the following elements:-

1.   An organization is held together by the pursuit of specific and well defined objectives. In fact, just as objective cannot be accomplished without an organization, similarly organization also cannot exist for long without objective and goals.

2.   The important process in organization is to group similar or related jobs into larger units called department. The departmental activities are further divided into groups. Primary grouping is made on the basis of functions like sales, production, marketing, finance etc. Secondary grouping consists of geographical areas, types of customers, equipments use, and process adopted etc.

3.   Authority without responsibility is a dangerous thing and similarly responsibility without authority is a empty vessel. In fact, the various members of the organization, who perform the jobs, are linked by authority-responsibility relations through the process of organizing. Each position is assigned specific tasks and delegated the necessary authority to discharge them. Authority flows form the top managerial positions to the middle managerial positions and below in a graded manner.

4.   Communication is key note of efficient organization. There should be proper arrangement of communicating messages from executives to subordinates & vice-versa. Efficient, effective and proper communication system establishes harmonious relationship between employees and enables execution of work in the right manner at the appropriate time.

5.   Activities in any organization is a team work and so it has to adopt suitable methods to ensure that there is proper co-ordination of the different activities performed at various work points.

6.   Organization should have a formal relation and three should be formal relations amongst all the members. These relations may be by

any designation, lower, top or boss or in any other form. There should be a clear marking of rights and duties in relations.

7.   Organization is not related to business and industry only but also to economic, social, religious, political and family today.

2.2.6 Organization Chart

An organization chart in simple words is a diagram of all the positions in an organization and their formal relationships to one another. It illustrates an organization's overall shape and the levels of management in a comprehensible manner. The organization chart of a typical company organized on functional basis is present in the following figure:-

```
                            Chairman
                               |
        ┌──────────────────────┼──────────────────────┐
        ↓                      ↓                       ↓
     Manager                Manager                 Manager
    Production             Marketing                 Finance
        |                      |                       |
   ┌────┴────┐           ┌─────┴─────┐           ┌─────┴─────┐
   ↓         ↓           ↓           ↓           ↓           ↓
Manufacturing Quality   Sales  Advertising   Accounting    Taxes
```

As could be seen in figure, an organization chart shows;

•   The hierarchical structure that is typical of most organizations;

•   The number of management levels;

•   Scope of authority and status of the individuals as indicated by the location of their positions in relation to other positions;

•   How an organizations activities are grouped in terms of departments (whether by function, by product, by territory and so on);

•   The work being done in each position(indicated by the labels in the boxes);

•   Interaction of people as indicated by the horizontal and vertical lines connecting various position\departments;

•   Relations between superiors and subordinate-who report to whom, that is ,the chain of command;

- How may subordinates report directly to each manager, that is the span of control;

- Formal channels of communication (indicated by the connecting lines).

  However, an organization chart doesn't show the following:-

- Interactions between people who have no official reporting relationships, that is, the informal organization;

- The ongoing dynamics of workplace behavior;

- Personal preferences and coalitions;

- Informal communication channels, that is , the grapevine; and

- Interference by outsiders. The organization chart of any company enables one to understand easily three classical principles of organizing. Chain of command, unity of command and span of control.

2.3 Reasons for Organization

Last section establishes the pervasiveness of the organization in detail, now you will analyze the various reasons for organization. As you know the need for organization arises when two or more persons unite together to achieve some common objectives. This is because, it only under such circumstance, it will be necessary to know who is to do, what is to be done and how these activities are related to the activities of other persons. One-man business possibly requires no organization as long as that one man can efficiently manage everything all by himself.

Supposing one man is the owner, manager, director and operator of his entire business unit. But the moment he employs someone to assist him in performing the task he has to assign duties to that assistant and give him the necessary authority to enable him to perform task so assigned. As his business goes on expanding in size, he has to create sections, departments and divisions and delegate authority to the complexities of the subordinates. Furthermore, the problem of organizing tends to become complicated with the growth of this business.

It is under such circumstances that the need of organization arises. Thus, we need organization in which two or more persons are working together to perform a task which no one of them can perform singly because of his physical, psychological and social limitations. Organization provides a structural framework of duties and responsibilities. On the one hand it establishes authority relationships and on the other, provides a system of communication.

Good organization enables us to achieve ends that could not have been obtained, as efficiently or as effectively through our individual efforts. As a matter of fact, organization is not an end in itself. But means to an end. It is through organized effort that we accomplish organization goals. The remarks made by Kenneth C. Towe, as a president of American Cyanamid company that a sound form of organization is the answer to every business problem; a poor organization even with a poor produce can run a good product out of the market; cannot be regarded as an exaggeration of the importance of a good organizational structure particularly when we evaluate the story behind the success of most of the business undertakings.

However, the right organizational structure is the necessary foundation; without it the best performance in all other areas of management will be ineffectual and frustrated. It is now clear that there cannot be any substitute for good organization. In present context following are the main reasons for organization:-

- The organization is to administer economy in production. Any industrial concern aims at reducing cost and maximizing production.

- The organization always lays stress on economy of time and labour. For this it adopts and uses the best available system with modern tools and equipments.

- To establish healthy relations between labour and capital. Human relations and behavioral sciences form the basis of an organization structure today.

- The use of men and material should be economized in order to guard against the future non-availability of resources. The stress must be given on the optimum use of resources.

- The aim of organization should not be earning profit only but to foster the growth and development of service motive.

- A properly designed organization is an aid to management. It facilitates both management and operation of the enterprise. By proper division of work, effective delegation, unity of command and direction, clear job definition, the organization structure siphons off the routine duties and makes them the responsibility of lower rated positions.

- Organization makes clear division of work. Every job is assigned to the right person thus promoting specialization, speedy performance of tasks and efficiency.

- Proper organization helps in avoiding duplication of work and overlapping in responsibilities among various relationships between various sections of the enterprise. It is because particular jobs are assigned to particular persons.

- Easy and smooth communication is the core of an organization. An organization provides channels of communication which indicate as to who will communicate with whom and on what subject. Thus, while superiors communicate their instruction to their subordinates, the latter on their part can communicate their problem to their superiors. All important function like planning, direction etc. are easily performed with the help of smooth communication.

- Any scheme for growth and diversification can proceed only when it is permitted by the organization structure. The recruitment of staff, delegation of authority, proper co-ordination and control can be arranged only in case the basic organization structure is properly designed.

- In a rapidly advancing LPG world, changes are bound to take place in the techniques of production, distribution and man-power management. Only an effective organization can be able to foresee such change and be prepared to face them.

- Sound organization stimulates independent creative thinking and initiative by providing well-defined areas of work with broad

latitude of the development of new and improved ways of doing things.

- A sound organization has no place for corruption. If it is there then there is some lacunae in organization. When every part of organization works in the interest of the enterprise corruption cannot exist.

- In a good organization when all activities run in a systematic way, and all the employees perform the duties without interruption, not only production and marketing can be balanced but also income and expenditure can be balanced. This will give a balanced and all round development to the business.

- Sound organization avoids wasteful expenditure as identified group of people contributes its effort toward the attainment of common goal.

- a group is assigned the duty of picking up the best, competent and responsible persons for definite jobs. These persons so chosen are assigned different assignment keeping in view their might, capacities and capabilities.

- By Organizing, cooperation, coordination and adjustment amongst all persons is brought about and this cooperation and coordination helps them as they benefit other and equally they get benefited also. Coordination generates a feeling of group activity and this generates collective effort thereby fulfilling the objectives of the unit. The quantum of the achieved aims will decide the volume of success.

- Organization clearly defines the relationship amongst various departments and only competent and deserving persons are enlisted in the group. Their incentive, initiative and intellect are recognized and this helps others also to show their best so that these other persons may also be appropriately rewarded.

- Organization provides a sort of training to different heads of departments for future. They get much experience about different problems and events which they face in the organization from time to time.

2.4   Significance of Goals in Organization

After a long discussion, now you can say, organization is the foundation upon which the whole structure of management is built. In fact, it is the backbone of management. Every economic activity, which is deliberately done has some goals. Often group of people assemble without any pre-planned aim or goals, it is not an organization rather just a mob. But when for instance interned to participate in a conference, an element of purpose has been introduced. Therefore, a goal refers to commitment to desired future. Some scholar's believe that goals and objectives are generally interrelated concepts.

The goals of the organization reflect the reasons for its existence. Organizations produce and market product and services, organization of university provide teaching and research, government provide welfare and security and so on. Organizations are attainment instruments, without some purpose; there is no need for the organization. All organizations are goal seeking, that is, they exist for the purpose of the efficient achievement of some goals. Goals serve the following functions:-

1.   Goals describe the purpose of the organization, so that people know, what it stands for and will accept its existence and continuance. They help to legitimize the presence of organization in its environment. Goals help the organization emphasize its uniqueness and identity.

2.   Goals guide employee work and decision making. They provide guidelines for organizational activity. They keep attention focused on common purposes. They commit persons and organizations to verifiable accomplishment.

3.   Goals keep activities on the right track. Goals make behavior in organizations more rational, more coordinated and thus more effective because everyone knows the accepted goals to work toward. In setting effective goals managers help members at all levels of the organization to understand how they can best achieve their own goals by directing their behavior toward the goals of the organization.

4. Goals serve as performance standards against which actual performance may be checked. They provide a benchmark for assessment.

5. Goals are motivator. The setting of a goal that is both specific and challenging leads to an increase in performance because it makes it clear to the individual what he is supposed to do. He can compare how well he is doing versus how well he has done in the past and in some instances, how well he is performing in comparison to others.

6. Goals specificity enables the workers to determine how to translate effort into successful performance by choosing an appropriate action plan.

As a matter of our study, now you can easily understand as to why should an enterprise organize itself? The simple answer to this question brings out its goals. As you know goals of a business organization are distinguished from the goals of other social organizations. To know it more precisely, the nature of political, social, religious and economic organization can only be known by defining and studying its objectives and goals. Let's prepare list of few basic characteristics of business organization goals:-

1. **To Built Systematic and Sound Management**: - Systematic and sound management largely depends upon effective goal. It is the effective goals, which ensures proper balance between authority and responsibility. It achieves clear line of communication, and defines the areas of work. It is the goal which allows the top management to concentrate on overall planning and supervision, leaving the routine work for the lower levels of the organization. It saves the institution from ad-hocism, over-lapping and inefficiency.

2. **High Productivity at Minimum Investment:** - The activities are allotted according to the principle of division of labour. The effective goals always encourage every worker to make his best contribution in producing output. The increase in output and control of wasteful expenditure helps to reduce the overall cost of production and by this profitability of the institution will also go up.

3. **Consistent Growth and Diversification**: - A business organization must be a growing organization .With the passage of time; an

institution must diversify its activities so that a rational product mix can be offered in the target market because it's an age of competition and struggle.

A static business soon grows stale and out of run. It should grow from a small scale concern to a medium scale one and from a medium scale concern to large scale one. Effective design of business goals plays an important role in this respect. Execution of policies in organized manner builds the necessary capacity and confidence in undertaking bigger activities.

4. **Work with Team Sprit:** - The structure of effective goals will succeed only if employees co-operate in the work. The employees learn working in closer co-operation with others. The management introduces various incentive schemes and gives monetary and other benefits to the employees, so that they work in a team spirit.

5. **Community Service**: - Maximization of profits, no doubt, is the motive of every business. Without profit, no business can exist because business is a part of society at large. It can not survive long by exploiting consumers and society. It has to serve the society by providing it with products of best quality at responsable prices. It has to ensure smooth supply of goodsas per the needs of consumers. The "service motto" can not be realized without a well-knit of goals. So, to discharge social obligation an important objective is building up of sound goals.

The purpose of sound goal is following:-

- To establish an activity, authority and environment in which people can perform most effectively.

- To make group action efficient and effective by providing centers for decision making and a system of communication to effectively co-ordinate individuals towards achieving group objectives.

- To create relationships which will minimize friction, focus on the objective, closely define the responsibility of all levels and facilitate the attainment of the objective.

●   To subdivide time management process by which plans are translated into objectives, objectives are translated into goals and finally goals are translated into action so as to make management most effective.

The goal of an organization is to build, develop and maintain a structure of working relationship in order to accomplish the objectives of an enterprise. Since ages and in all walks of life, organization has been playing a very significant role. Strictly speaking, the better the organizational goal, the higher would be the achievement of the common objective. Thus while setting goals for organizations a manager must consider following principles:-

(1)   **Principle of efficiency:** - A goal should be efficient only, if it is able to accomplish predetermined objective at minimum possible cost. A goal should also provide maximum possible satisfaction to its members and should contribute to the welfare of the workers community.

(2)   **Principle of division of work:** - A goal should divide total task in such a manner that the work of every individual in the organization is limited as far as possible to the performance of a single leading function. The activities of the enterprise should be so divided and grouped that there is most efficient breakdown of tasks.

(3)   **Scalar principle:** - During completion of goals, authority and responsibility should be in a clear unbroken line from the highest executive to the lowest executive. There must be a clear chain of command. Every subordinate must know who his superior is and to whom policy matters beyond his own authority should be referred for decision.

(4)   **Principle of Delegation:** - During completion of goals, authority delegated to an individual manger should be adequate to enable him to accomplish results expected of him. Authority should be delegated to the lowest possible level, consistent with necessary control so that coordination and decision making can take place as close as possible to the point of action.

(5)   **Principle of unity of command:** - During completion of goals, each person should receive orders from only one superior and be accountable to him. This is necessary to avoid the problems of conflict in instructions

and divided loyalty and to ensure the feeling of persons responsibility for results.

(6) Principle of Balance: - During completion of goals, the various parts of an organization should be kept in balance and none of the functions should be given undue emphasis at the cost of others. In order to create organizational or structural balance it is necessary to maintain a balance between narrow span of management and one lines of communication, between line and staff etc.

(7) Exception Principle: - During completion of goals, every manager should take all decision within the scope of his authority and only matters beyond the scope of his authority should be referred to higher levels of management. This principle is also known as authority level principle.

(8) Principle of coordination: - There should be an orderly arrangement of group effort and unity of action during completion of goals, of a common purpose. The purpose of organizing is to secure unity of effort.

(9) Principle of Flexibility: - During completion of goals, the organization must be free to handle complicated procedures and red tapism. Devices, techniques and environmental factors should be built into the structure to permit quick and easy adaptation of the enterprise to changes in its environment.

(10) Principle of Continuity: - Change is the law of nature. The organization goals should be so structured as to have continuity of operations. Arrangements must be made to enable people to gain experience in positions of increasing diversity and responsibility.

After a long discussion, now we can conclude this unit with the words that goals are the desired ends of organizational activity, it is also a desired state of affairs, which the organization attempts to realize. The desired state of affairs may include several things, that is, manager might be interested in achieving a reasonable rate of return on investment, in maintaining a fair market share, in attracting quality, employees etc. Thus goals include objectives, purposes, targets, standards, quotas and even deadlines. An organization has many goals and it is the primary responsibility of every manager to formulate, revise and implement appropriate goals to achieve a desired state of affairs.

2.5 Summary

Organization is the backbone of management. It is concerned with the building, developing and maintaining of a structure of working relationship in order to accomplish the objectives of the enterprise. The success and the failure of an enterprise depend largely on the nature of its organization.

Organization refers to the assembling of various elements of business such as workforce, capital, raw materials, machinery, energy, information etc. in order to establish a harmonious and functional relationship among them.

An organization chart in simple words is a diagram of all the positions in an organization and their formal relationships to one another. It illustrates an organization's overall shape and the levels of management in a comprehensible manner.

The need for organization arises when two or more persons unite together to achieve some common objectives. This is because, it only under such circumstance, it will be necessary to know who is to do, what is to be done and how these activities are related to the activities of other persons One-man business possibly requires no organization as long as that one man can efficiently manage everything all by himself.

The goal of an organization is to build, develop and maintain a structure of working relationship in order to accomplish the objectives of an enterprise. Since ages and in all walks of life, organization has been playing a very significant role. Strictly speaking, the better the organizational goal, the higher would be the achievement of the common objective.

2.6   Key Words

Organization: - The term" organization" refers to a mechanism which enables men to live together.

Organization as a group: - The tern 'organization' is commonly used to represent a group of persons engaged in pursuing common objectives.

Organization as a process:- Organizing involves the grouping of activities necessary to accomplish goals and plans, the assignments of these activities to appropriate departments and the provision of authority delegation and coordination.

Organization as a structure:- Organization is merely a structure of relationships between the various positions in an enterprise.

Organization Chart: - An organization chart in simple words is a diagram of all the

positions in an organization and their formal relationships to one another.

Goals: - The goals of the organization reflect the reasons for its existence. Also goals describe the purpose of the organization, so that people know, what it stands for and will accept its existence and continuance.

Planning: - Planning means, what is to be done in future to achieve the predetermined goals, how it is to be done, when it is to be done and who has to do it, It is prior estimation and represents the rational thinking of a manager.

Organizing: - Organizing is the process by which the structure and allocation of jobs are determined.

Directing:- Directing is concerned with guiding and leading people. It consists of supervising and motivating the subordinates towards the achievement of set goals.

2.7   Important Questions

Q1)   Explain the concept of organization, also define its nature, scope and objectives?

Q2)   Critically examine and present your views about pervasiveness of the organization?

Q3)   Define Goals? How it is different from organizational objectives.

Q4)   List various reasons for Organization?

Q5)   Write short notes on the following:-

•   Organization as a group

- Organization as a process

- Organization as a structure

Q6) Describe various characteristics of organization?

Q7) Explain organization chart with an example of a business organization?

Q8) Define various steps in organizational process?

Q9) Discuss various elements of organization?

Further Readings

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UNIT- 03 Management Thinkers

Unit Structure

3.0   Introduction

In last unit, we have studied that systematic and scientific study of management is of recent origin but the practice of management concepts is as old as human society. Ever since human beings began living together in groups, they have used the techniques of organization, leadership and management. The contributions of many thinkers and practitioners have constituted various schools of management. This unit will present contribution of some of the important management thinkers like Taylor, Gantt, Gilbreth, Fayol, Weber, Mayo, Maslow, Herzberg, Likert, and McGregor.
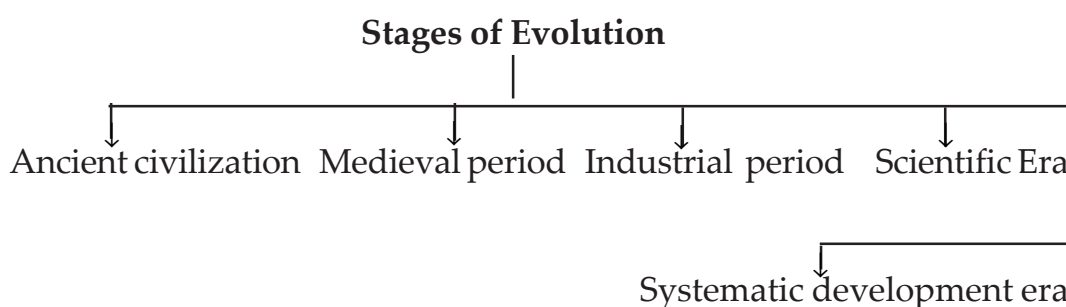
3.1 Objectives

The objectives of this unit are to enable you:-

• To understand the evolution of management thought.

• To know the contribution of Taylor, Gantt &, Gilbreth.

• To know the contribution of Taylor, Weber & Mayo.

• To know the contribution of Barnard, Maslow & Herzberg.

• To know the contribution of Likert & McGregor.

3.2 Evolution of Management Thought

In fact, oldest extant literature and written history, civil, and military, activities leave enough evidences that. Basics of management principles had been formulated and the management process had been systematized in considerable measure, with progressing time. In other words we can say modern management has a history of development that cuts across many centuries. It can truly be said that management is as old as civilization. Management belongs to man deals with people. Thus the history of mankind is the best history of management. As such, current management thinking can best be under stood in the light its emergence.

The evolution of management thought and principles can be divided into various stages. Let's represent these stages with the help following diagram: -

Stages of Evolution

Ancient civilization   Medieval period   Industrial period   Scientific Era

Systematic development era

For the purpose of our study let's understand main features of various stages of management evolution one by one.

1. **Stage of Ancient civilization: -** The origin of a management thought can easily be traceable from ancient civilization. The main characteristics of management thought in these early civilizations are drawn from Pyramids of Egypt, Code of Hammurabi, Chinese Philosophers and Persia. Let's list few of them:-

- Management process first began in the family and later pervaded the formalized units

- Management concepts existed only in a some what nebulous state.

- Management as a separate process was not recognized.

2. **Stage of medieval period: -** Scholars recognize this stage as a period of feudal organizations and guilds. This stage serves as a bridge between ancient civilizations and the age of managerial awakening. The main character of management thought in this stage drown from alforabi, Venice, Niccolo and Machiavelli. Let us list few of them:-

- Reliance on mass consent,

- Cohesiveness.

- Effective leadership.

- Will to survive,

The most important in this period of management generally took the form of personal leadership.

3. **Stage of Industrial Revolution: -** Industrial revolution merged feudal and guild systems into the cottage system of production, Further Cottage system upgraded into factory system and this system promoted mass production. This stage reshaped the factories by the demands for heavy infusions of capital, by division of labors and by division of labour and by the need for economical production. Following are the few characteristics of this stage;-

- This stage introduces principle of laissez faire.

- For introduction management was identified as a fourth important factor.

- Problems like shortage of management talent, trained work force were recognized due to emergence of factory system.

· Concepts of optimum returns were introduced by mill owners on their investments.

· Division of labour, specialization in work and Coordination skills were introduced in the management process.

· Managers were required to coordinate the various resources in an efficient and proper manner.

4. Stage of Scientific systematic development era:-Management as a separate field of study emerged only during the second half of the 19th century. This period of systematic management included era of scientific management, era of administrative theory and management, era of behavioral science and era of extension, refinement and total quality management. Following are the few characteristics of this stage:-

- Replaced rule of thumb and hit or miss approach with systematic knowledge.

- Identified the one best way to perform a job with the development of the science of work using time, motion and fatigue studies.

- Introduced a good wage system,

- A comprehensive system of management was developed.

- Administrative function of an organization has to be viewed separately form all other functions of an enterprise,

- Established the foundation for management functions, processes and concepts.

- Reorganized the importance of human behavior in organizations, thereby emphasizing upon efficiency and productivity.

- Experimental psychology used in solving the problems of worker and management.

- Bringing mental revolution through which employees and management would have to under stand each other in harmony.

- The rise of the professional manager was an important event of this era.

You have studied various stages of evolution of management thought in this section. Next section will introduce you to thoughts of various famous management thinkers.

3.2 Contribution of Taylor

Fredrick Winslow Taylor was born in 1856 in America. He started his professional life at the age of 19 in Cramp Shipyard Company, as an ordinary machine operator, he obtained the Degree of Master of Engineering. After working in many companies, he spent the rest of his life as a consultant of factory management and in the research of the basic principles of management and in their publicity. He wrote a book on the basis of his experiences in management which is named 'the principles of Scientific Management'.

The word scientific management is made from two words. First is scientific, the other is management. Scientific means specialized knowledge on a particular subject, whereas management means establishing coordination between the various factors of production, so that maximum production can be done at minimum cost. With the use of scientific management the resources of production are utilized in the best possible way at minimum cost.

Taylor believed that the main reason of problems in factories is lack of knowledge. On one hand, the managers are not aware of the actual productivity of their workers and on the other hand, the workers have no knowledge of how to achieve maximum and qualitative production. Due to the lack of knowledge on both sides and the traditional resources and methods adopted etc., productivity is adversely affected. Let's understand the following objectives of scientific management:-

- To provide for the use of knowledge and skill in production.

- To revolutionize the whole process of production and marketing including purchase, sale, production, procedure, plant and machinery, accounting, material management etc.

- To help in proper guidance and leadership, regular and adequate direction on proper lines, timely communication, better co-ordination, mutual respect, good human relations and fruitful co-operation.

- To assist in adopting new and scientific techniques in production.

- To conduct surveys and organize researches so as to make the management a result yielding science.

- To assist in mental, physical and technical development of the workers.

- To help increase the levels of wages, profits and consumer's service to the highest degree.

- To serve the enterprise, the economy, the nation and the society in a manner in which the society expects.

Taylor introduced new and scientific methods and principles in place of these traditional methods of management by which maximum production at minimum cost could become possible. The main principles of scientific management are as follows:-

(1)   Work Related Estimates: - According to Taylor the first principle of management is that before starting a work, a clear estimate of that work is done beforehand. In the given time, what amount of work a medium worker can complete, should be estimated at first and according to these estimates standards should be established and then only work should be started.

(2)   Experiments: - According to Taylor, along with making estimates of work, experiments on such estimates are also necessary. He divided such experiments into three categories, which are as follows-

(a)   Time Study: For time study, Taylor used the stop watch. For this, a person with a watch and a chart sits at such a place from where he can observe all workers but he cannot be seen by anyone. After that he enters the amount of time taken on performance of each process. Time study includes the following operation:-

- Sub-dividing the work.

- Noting the time taken by different employees in performing that piece of work.

- Selection of the average worker.

- Noting the time taken by the average worker in comparison to other workers.

(b) Motion Study: Under this, the activities of workers are analyzed to study how many times each worker has to make efforts (like-sitting, standing etc.) According to Taylor, if the motion of workers is reduced, he can definitely work more. Thus motion study includes the following processes:-

- Selection of efficient workers.

- Analysis of the motions involved in every job.

- To find out the minimum time of every operation with the help of stop watches.

- Keeping record of the best motions and the minimum time taken.

- Advising the most appropriate motions and discarding the unnecessary ones.

(c)   Fatigue Study: - It is taken to determine the amount and frequency of rest required in completing a task. Fatigue in the work is natural. When a worker is required to work continuously his speed and efficiency in the work goes on diminishing and he gets fatigue and needs a rest. Scientific Management studies the nature of jobs and determines the standard time when the worker on the specific job will be tired and needs rest. If he is allowed rest in intervals, he will be able to regain vigor and start working with the same bend of mind.

(3)   Scientific Training and Selection of Workers:-While discussing the principles of scientific management Taylor emphasized more on appropriate selection and training of workers. According to him, a worker should be both physically and mentally able to perform his work. While throwing light on the importance of training, Taylor suggested that if an employee is unable to perform the work allotted to him then a trained teacher should guide him as to how he should perform his work within the stipulated time.

(4)   Incentive Wage System: According to Taylor the wage system in a firm should be such which motivates the workers to work more. There should be difference between the wages of trained and untrained workers. In his opinion, the worker who completes his work within the given time should be given higher wages, whereas the workers, who do not complete their work in the time, should be given lower wages.

(5) **Scientific allocation of work:** The work should be distributed on the basis of the efficiency and ability of workers. While explaining this, in his book 'Principles of Scientific Management' Taylor has given an example, that if a typist is given the work of welding, then instead of welding iron, he would weld his own hands.

(6) **Arrangement of good quality raw materials:** The manager should purchase the required raw material for producing the commodity after much analysis because it is necessary in maintaining the standard and standardization of the commodity thereby indicating that the materials required for production are of high qualities.

(7) **Efficient cost accounting system**: Under scientific management, Taylor suggested that with the help of cost accounting system the cost per unit of a commodity can be easily known, therefore, with its help comparative statement of data relating to previous year with the current year can be made and important and useful decisions relating to cost can be taken.

(8) **Use of latest Machinery and Equipment**: Taylor suggested that the managers should provide the workers latest machinery and equipment to work because if old and worn out machines and equipment are used it will adversely affect the efficiency. Moreover, such machines and equipment must be tested by specialists before being given to the workers.

(9) **Healthy Atmosphere of the Firm**: According to Taylor, in a firm with healthy atmosphere, the morale of workers is also high and they themselves have the desire to work. Thus pure air, water, better ventilation facilities must be made available to the workers.

(10) **Standardization**: Taylor suggested that efforts should be made to produce more by lesser efforts. For this, the standards of production should be predetermined. Standard tools and equipment should also be provided to the workers. The production methods must also be standard and at the end of production, actual production must be compared with predetermined standards.

(11) **Mental revolution**: - According to Taylor a complete mental revolution is necessary for the success of scientific management. Mental revolution means that there should be significant change in the thinking

of both workers and managers so that coordination is established between them. Under scientific management Taylor gave more importance to unity in place of struggle, strikes and lockouts. The manager is supposed to work for the welfare of employees and the employees must also consider the factory as their own home. They would develop a co-operative rather than an antagonistic attitude toward each other.

When the feeling of belongingness develops, the bond between the employee and the organization grows. Moreover, the managers should not consider employees as machines and a part of profits derived from scientific management should also be distributed among the workers in the form of increased wages. Taylor says that 'without this complete mental revolution on both sides scientific management does not exist". Thus scientific management can be successfully launched only when the relations between the employees and workers are cordial.

3.4   Contribution of Henry Laurence Gantt

Henry Laurence Gantt was an American mechanical engineer and management consultant, Gantt was an associate of Taylor. Although he espoused Taylor's ideas, he was far more cautious than Taylor in selling and implementing his scientific-management methods. Like Taylor, he emphasized the need for developing an understanding of system on the part of both labour and management and of appreciating that "in all problems of management the human element is most important one". Henry Gantt's legacy to management is the following:-

1. Gantt Chart:-Gantt was perhaps best known for the development of 'Gantt Chart' in the 1910s. Gantt charts were employed on major infrastructure projects. These chart demonstrated how work is routed and scheduled through various operations to its completion. It depicts output in relation to time and continues to be an important tool in project management.

He designed his charts so that foremen or other supervisors could quickly know whether production was on schedule, ahead of schedule, or behind schedule. Modern project management software includes this critical function even now. In his 1919 book "Organizing for Work" Gantt gives two principles for his charts:-

- One, measure activities by the amount of *time* needed to complete them; and

- Two, the space on the chart can be used to represent the *amount of the activity* that should have been done in that time.

As Gantt spent time scrutinizing the work process with the comprehensive goal of planning and implementing a work breakdown structure, he wanted to have a visual representation of what was actually occurring over the course of a project. Specifically, Gantt focused on creating a graphical representation of work processes that showed scheduling and monitoring projections. What Gantt came up with was a bar chart that demonstrated a project's schedule, showing terminal and summary elements from start to finish.

Terminal elements are the smaller more intricate tasks that need to be completed as part of a larger task. A summary element is made up of terminal elements to form the larger task. For example, a summary element for a Bus manufacturer would be to paint the vehicle. The terminal elements of painting the vehicle would be to strip any original paint, primer, apply your first, second and top coats, and finally, wash, wax and buff the new paint job.

Once the terminal and summary elements are defined, a manager can then add projected and actual projection for completion of each of those elements. The time schedules are plotted on the graph using bars. These can be used to come up with deadlines. Once plotted together, it becomes easy for others to understand the individual work tasks and their due dates within the greater project deadline. This also demonstrates areas that can be done concurrently with other tasks and what tasks are dependent on the completion of others.

It's a pretty simple observation. But when a project gets large enough, keeping track of all the dependencies can be difficult. Project managers have to keep them straight. They can't have painters arriving before the wall boards up. Nor do they want the painters showing up months after the walls have been finished.

Gantt charts display these dependencies pictorially. Each task is represented by a horizontal bar whose length corresponds to the time required to complete the task. Then the bars are laid out on a time line.

Each bar is laid down as early as possible, but after all the tasks that must precede it.

The idea's so simple we're left to ask why it bears anyone's name. In part it's because Gantt was instrumental in bringing it to life. But more importantly, Gantt charts have proven to be really useful. They're studied in college and used by project managers around the world. Gantt charts have spawned more refined ways of managing large projects, but the original charts are still holding their own. Buy project management software and you can bet it works with Gantt charts.

2.   Task and bonus system: - Gantt did not find the piecework pay system previously developed by Taylor to be as effective as it needed to be; to increase productivity. Gantt's alternative, known as the task and bonus system, paid employees based on how well they improved their performance at the organization. Specifically, the task and bonus system was an incentive program where an employee would receive a bonus above and beyond their set hourly rate once the employee's proficiency hit certain performance goals.

This way an employee would always be guaranteed at least his or her hourly rate while working towards higher levels of productivity. This is in contrast to Taylor's piecework pay system, which forced novice employees to have a second job in order to support themselves because Taylor did not believe that an employee should be adequately compensated until they reached a higher level of productivity - almost like an unpaid apprenticeship. His wage plan guaranteed a day's wage even if the output was less than standard, whereas in Taylor's system no guaranteed wages were paid for substandard performance.

It may also be noted that while Taylor saw people as inefficient and unpredictable machines, Gantt had a concern for workers. Unlike Taylor. Gantt was not authoritarian. He used a participative approach with his workers.

3.5   Contribution of Gilbreth

Frank B. Gilbreth and Lillian M. Gilbreth were husband and wife. This team made their own contribution to the scientific management movement. Lillian Gilbreth was the mother of modern management.

Together with her husband Frank, she pioneered industrial management techniques still in use today. They developed time and motion studies and devised certain management techniques independent of Taylor. The motion study was explained as having three states:-

- Dividing the work into the most fundamental elements possible;

- Studying these elements separately and in relation to one another; and

- From these studied elements building methods of least waste.

Frank applied his methods to building industry, where he was able to reduce brick laying motions to less than five from the earlier 18 and as a result there was an increase from 120to 350 bricks per man hour.

They developed 'one best way' of doing tiling and in the process made use of the process chart, the right and left have operation chart, hand chart, micro motion study, therbligs (a representation of the 17 elementary motions used in method study) and the chronocylograph (a device that used interrupted light in the form of regular flashes so that speed can also be estimated from the pear shaped spots of light on the photograph).

Fatigue was a major focus of attention for Frank and in this he was ably assisted by his wife Lillian. To reduce fatigue, they suggested longer dinner breaks, pre-determined tea-breaks, shorter overall hours and rest chairs. Together, they also suggested a scientific study of fatigue.

3.6   Contribution of Fayol

Henri Fayol was a mine engineer in the famous coal mine company, known as 'Four Chambult' in France. At the age of 47 he was made the General Manager of this company. Through his dedication and experience, he led the development of the company at its peak. In 1918, he retired from the post of general manager but remained the member of the managing committee of the company until his death.

The first general principle of management was offered for managers, by Fayol in his book "General and Industrial Management." But he pointed out that principle were not cut and dried answer to management problems but simply as guides to the solution of problems. He listed fourteen principles on the basis of his experience. Let's try to understand one by one:-

1.   Division of work: - According to Fayol standard and more quantity of work can be doneat appropriate place, on the basis of division of work because only through division of work, each employee can get the work of his choice, so that employees can work with more dedication.

2.   Authority and Responsibility: Fayol stated that to fulfill its responsibilities, the management must be given core rights because in the absence of high level rights, the manager cannot carry out his responsibilities successfully.

3.   Discipline: Under this principle, Fayol stated that each member of an organization should follow the rules, directions and policies of the organization. This law should be imposed to all from high officials to lower level workers. Good leadership and appropriate punishment policies can maintain discipline in the organization.

4.   Unity of Command: According to Fayol, it is necessary for an organization that all employees receive directions from a single official. If any employee will directed by two of more officers, it creates a situation of revolt in the employee. Thus, there should be a single source of receiving directions, so that there is similarity in directions.

5.   Unity in Direction: Fayol stated that to establish unanimity and coordination among different activates it is necessary that all the directions relating to an objective or goal must be under a single person and a single plan.

6.   Subordination of Individual Interest to Group Interest: In Fayol's view, the manager's must maintain coordination or balance between the group interests and individual interests but if there arises some conflict between the two, the group interest must be given priority over individual interests.

7.   Remuneration to workers: By this principle, Fayol stated that the system of remuneration to workers should be satisfactory and lawfully equitable. The wages of employees must be equitable from the point of view of both the employer and the employee; thus, the system of wages should be such, which not only gives security to the workers but also provides him the benefit of increasing his wages, by extra work.

8.   Centralization: Decreasing the role of subordinates in decision making is centralization; increasing their role is decentralization. Whether decision making is centralized (to management) or decentralized (to subordinates) is a matter of proper proposition Fayol felt that managers should retain final responsibility but also need to give their subordinates enough authority to do their jobs properly

9.   Scalar Chain: In view of Fayol, to complete any work in time, it necessary that continuous communication is maintained from the higher official to the lower employees.

10.   Arrangement: To perform an activity in a proper manner, it is necessary that all the useful commodities are kept safely and in an organized manner. This also applies on the employees of the organization."A place for everything and everything in its place".

11.   Equality: Fayol refers that all the high level officials in an organization should treat their subordinates equitably and with politeness, so that the differentiation between the higher level and lower level employees end and the environment of cooperation prevails. Employees should be treated with kindness and justice

12.   Stability in the Tenure of Workers: Fayol stated that frequent quitting by the employees form the job is mainly due to bad management in an organization. Thus he emphasized on the fact that to whatever extent possible, the tenure of the employees must be stable, so that they can work without any anxieties.

13.   Freedom of Initiative: Freedom of initiative means to prepare a plan on his own and its implementation by the same person. The management of an organization must give the opportunity of initiative to even the lowest level employee. The management should implement any good suggestions and plans given by their subordinates and increase their morale and the freedom of taking initiatives.

14. **Spirit of Cooperation**: Fayol has emphasized on the spirit of cooperation in work. In his view an organization must work as a team with full cooperation. To install the feeling of cooperation, the principle of unity of command must be followed rigidly and the system of working together must be maintained among the employees. Harmony and union build enterprise strength.

3.7 Contribution of Weber

German Sociologist and political economist Max Weber developed bureaucracy theory. According to him, bureaucracy is the most efficient form of organization. The organization has a well-defined line of authority. It has clear rules and regulations which are strictly followed.

Weber conceptualized bureaucracy in his classic contribution. It developed the model as a reaction against the personal subjugation, nepotism, cruelty, emotional vicissitudes; subjective judgment which passed for management practices in the early days of industrial revolution. Weber believed that bureaueaey provides an ideal weapon to harness and routinise the human and mechanical energy which fueled the industrial revolution.

Weberian model of bureaucracy is a hypothetical rather than a factual description of how most organizations were structured. It provides an ideal organizational structure, that is, the one that would be perfectly rationalize and provides for maximum efficiency of operations. Weber's bureaucracy is utopian in concept and admirable in ideal. It is characterized by specialization and division of labor. let us briefly list down special features of Weber's ideal bureaucracy: -

- A division of labour in which authority and responsibility is clearly defined for each member, and is officially sanctioned,

- Offices and positions are organized into a hierarchy of authority resulting in a chain of command,

- All organizational members are to be slected on the basis of technical qualifications through formal examination or by virtue of training and education,

- Officials are to be appointed, not to be elected,

- Administrators work for fixed salaries and are career officers,

- The administrative official does not own the administered unit but is a salaried official, and

- The administrator is subject to strict rules, discipline and controls regarding the official duties.

Weber's style is the ideal bureaucracy management style with hierarchy in jobs, with career advancements possible so long as you obey the orders of management. The bureaucracy approach:

- Emphasizes scientific approach

- Encourages studies to improve work

- Identifies principles to run organizations

- Emphasizes pay as a motivating factor.

The Department of Defense is a classic example of this management style. However, the problem with this approach is that it is inflexible and makes people feel like they are just part of a giant machine. It doesn't allow people to be creative and so have the freedom to show their own better way of doing things. This system is purely designed for productivity, not flexibility and creativity. From the above discussion you can draw following facts:-

- Every organization that is big enough will inevitably have the elements of bureaucracy.

- Weber considers "ideal bureaucracy" as a rational solution to complexity on modern problems.

- Bureaucracy is neither good nor bad. It is a normative model.

- Weber's bureaucracy is the historical benchmark and a syndrome of social change.

- Although ideal efficiency as perceived and expected by Weber cannot be perfectly attained, the concept provides a prototype that is useful in explaining how most organizations function.

- Weberian model is an analytical tool contributing directly to the explanation and interpretation of social phenomenon.

3.8 Contribution of Elton Mayo

Elton Mayo has secured fame as the leader in a series of experiments which became one of the great turning-points in management thinking. Mayo was also known as the founder of the Human Relations Movement, and was known for his research including the Hawthorne Studies and his book 'The Human Problems of an Industrialized Civilization.' Hawthorne Studies of the 1930s showed the importance of groups in affecting the behavior of individuals at work. Mayo's employees, Roethlisberger and Dickson, conducted the practical experiments. This enabled him to make certain deductions about how managers should behave.

In the city of Chicago in America, the Western Electric Company, where the old and traditional policies of work were prevalent, the management failed to motivate the workers to work efficiently. Even after providing better working conditions and higher wages, the production of the company continuously decreased. To solve this problem, the company invited social scientists of Harvard University of America namely Prof. George Elton Mayo and his subordinates.

Elton Mayo performed various experiments on the employees of the electric company situated in Hawthorne form 1927 to 1931, which are known as Hawthorne Experiments. The conclusions that come forth from these experiments which continued for five years were that the productivity and efficiency of workers does not increase only by improving the working conditions or increasing the wages but the concern shown by the management towards the employees, motivation of employees by the management, proper leadership by managers, total satisfaction of employees etc. The result or conclusions derived from the experiments performed by Elton Mayo and his subordinates are briefly described as follows-

- Individual workers cannot be treated in isolation, but must be seen as members of a group.

- Monetary incentives and good working conditions are less important to the individual than the need to belong to a group.

- Informal or unofficial groups formed at work have a strong influence on the behavior of those workers in a group.

- Managers must be aware of 'social needs' and cater for them to ensure that employees collaborate with the official organization rather than work against it.

- Mayo's simple instructions to industrial interviewers set a template and remain influential to this day:

He carried out a number of investigations to look at ways of improving productivity, for example changing lighting conditions in the workplace. What he found however was that work satisfaction depended to a large extent on the informal social pattern of the work group. Where norms of cooperation and higher output were established because of a feeling of importance; physical conditions or financial incentives had little motivational value. People will form work groups and this can be used by management to benefit the organization.

3.9   Contribution of Chester Barnard

Chester Irving Barnard was an public administrator of USA, His landmark 1938 book, *The Functions of the Executive*, sets out a theory of organization and of the functions of executives in organizations and the author of pioneering work in management theory and organizational studies.

Barnard looked at organizations as systems of cooperation of human activity, and noted that they are typically short-lived. It is rare for a firm to last more than a century. Similarly most nations last for less than a century. According to Barnard, organizations are not long-lived because they do not meet the two criteria necessary for survival: effectiveness and efficiency. Barnard legacy to management is the following:-

1.   **Functions of the Executive :-**To maintain elements of effectiveness and efficiency, he described **the functions of the executive** in his classical book "The Functions of the Executive," in 1938. As the title suggests, he described the functions of the executive, not from a merely intuitive point of view, but instead deriving them from his conception of cooperative systems. He summarized the functions of the executive as follows:-

- Establishing and maintaining a system of communication;

- Securing essential services from other members;

- Formulating organizational purposes and objectives.

2.   Authority and Incentives:-Barnard formulated two interesting theories: one of authority and the other of incentives. Both are seen in the context of a communication system grounded in seven essential rules:-

- The channels of communication should be definite;

- Everyone should know of the channels of communication;

- Everyone should have access to the formal channels of communication;

- Lines of communication should be as short and as direct as possible;

- Competence of persons serving as communication centers should be adequate;

- The line of communication should not be interrupted when the organization is functioning;

- Every communication should be authenticated.

Thus, what makes a communication authoritative rests with the subordinate rather than with his superior. Barnard's perspective had affinities to that of Mary Parker Follett and was very unusual for his time, and that has remained the case down to the present day. He seemed to argue that managers should obtain authority by treating subordinates with respect and competence.

As for incentives, he proposed two ways of convincing subordinates to cooperate: tangible incentives and persuasion. He gives great importance to persuasion, much more than to economic incentives. He described four general and four specific incentives. The specific incentives were:-

1.   Money and other material inducements;

2.   Personal non-material opportunities for distinction;

3.   Desirable physical conditions of work;

4.   Ideal benefactions, such as pride of workmanship etc.

The general incentives were:-

1. Associated attractiveness (based upon compatibility with associates)

2. Adaptation of working conditions to habitual methods and attitudes

3. The opportunity for the feeling of enlarged participation in the course of events

4. The condition of communing with others (personal comfort with social relations, opportunity for comradeship etc.,)
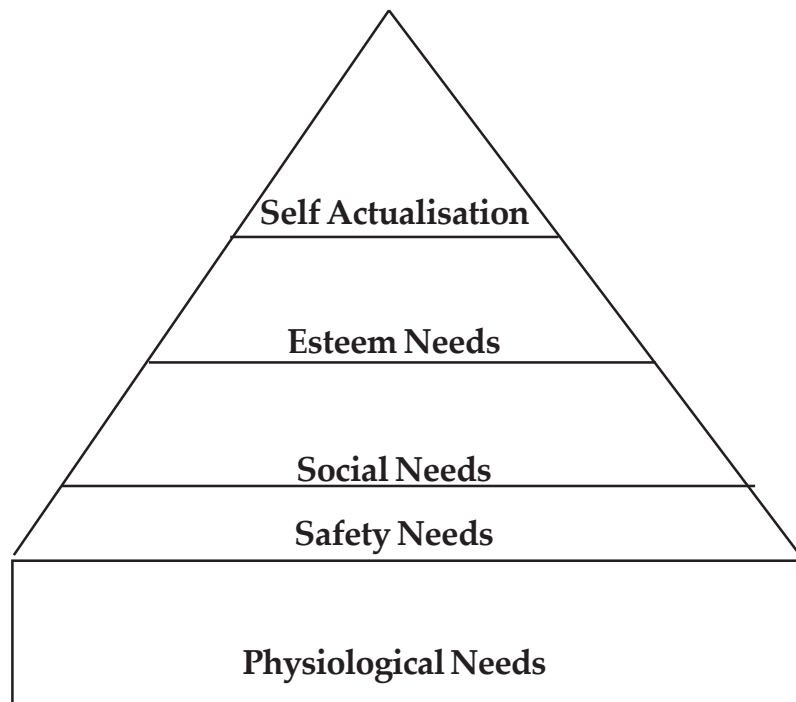
3.10 Contribution of Maslow

Abraham Maslow was born April 1, 1908 in Brooklyn, New York. He started teaching in at Brooklyn College in 1937. During this time, he was heavily influenced by Gestalt psychologist Max Wertheimer and anthropologist Ruth Benedict. Maslow believed that they were such exceptional people that he began to analyze and take notes on their behavior. This analysis served as the basis for his theories and research on human behavior.

Maslow's need priority model in one of the most widely referred to theories of motivation based on human requirements. As per opinion of the Maslow, behavior motivation begins with the cradle of all processes, At least in part which belongs to the satisfaction of the requirements. According to him a person's motivational needs could be arranged in a hierarchical manner, starting in an ascending order from the lowest to the highest needs, and concluded that once a given level of needs (set of needs) was satisfied, it ceased to be a motivator the next higher level of need to be activated in order to motivate the individual.

Although the hierarchical aspects of Maslow's theory are subject to question and often not accepted, his identification of basic needs have been fairly popular. Let's try to understand it through forward stated picture:-

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              Self Actualisation

               Esteem Needs

               Social Needs
               Safety Needs

             Physiological Needs
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Maslow identified five levels in his need hierarchy in an ascending order of importance. The five categories of need may be described as follows:-

1.   **Physiological needs**: - Physiological needs are the biological needs required to preserve human life; these needs include needs for food, clothing and shelter. They exert a tremendous influence on behavior. We must satisfy most of there in order to exist (survive). As pointed out by Maslow, "man lives by bread alone, when there is no bread. Physiological needs dominate when all needs are unsatisfied. Once these needs are met, we can move to the next level,

2.   **Safety needs:-**At this level we seek out safety through other people and strive to find a world that will protect us and keep us free from harm. Without these goals being met, it is extremely difficult to think about higher level needs and therefore we can not continue to grow. When we feel safe and secure in our world then we begin to seek out friendships in order to feel a sense of belonging.

3.   **Social or Affiliation or acceptance needs**:- These are belongingness needs, the needs for friendship, affection, acceptance, relations, identification with some group, etc. These are the needs more of mind and spirit than of physique.

4. **Esteem needs**:- This set of needs represents higher level needs. These needs represent needs for self-respect, respect of others, a general feeling of being worthwhile, competent and personal feeling of achievement, knowledge.

5. **Self-Actualization needs**:- The final level in the hierarchy is called the need for self-actualization. According to Maslow, people may be in this level but very few if anybody ever masters it. Self-actualization refers to a complete understanding of the self. To be self-actualized means to truly know who you are, where you belong in the greater society, and to feel like you have accomplished all that you have set out to accomplish. It means to no longer feel shame or guilt, or even hate, but to accept the world and see human nature as inherently good.

Defining this basic human desire and the path to reach our full potential was really Maslow's primary contribution to the field of psychology which eventually became known as Maslow's Hierarchy of Needs and is most often displayed in the form of a triangle.

3.11 Contribution of Herzberg

Frederick Herzberg extended the work of Maslow and developed a specific content theory of work motivation. **Herzberg's** theory of motivation is also called '**Two Factor Theory**', 'Dual Factor Theory' and 'Hygiene / Maintenance **Theory of Motivation**'. This theory is based on the information collected by him and his associates by interviewing two hundred engineers and accountants. The information collected relates to the attitude of people towards work. This attitude towards work depends on two sets of factors namely hygiene or maintenance factors and the motivating factors. Let's try to explain one by one:-

1. **Hygiene/ Maintenance Factors:-**According to Frederick Herzberg, the **Hygiene Factors** do little contribution to provide job satisfaction. He called them "dissatisfiers' as their absence cause dissatisfaction but their presence is not motivating but only prevent dissatisfaction. The hygiene factors meet man's needs to avoid unpleasantness but do not motivate them to take more interest in the work.

Hygiene factors (when provided) create a favorable environment for motivation and prevent job dissatisfaction. They are not an intrinsic
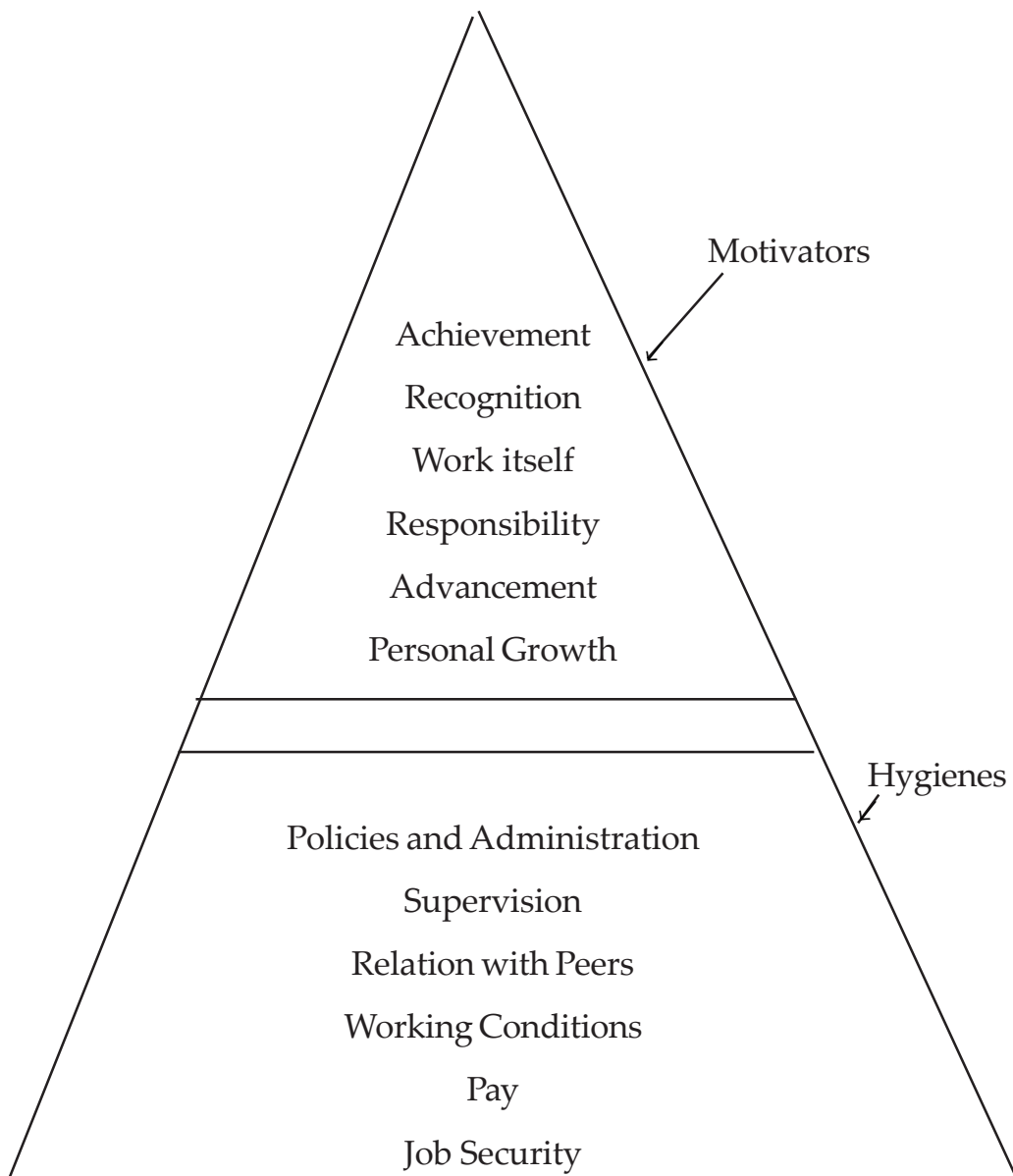
part of a job, but they are related to the conditions under which a job is performed. When employer is unable to provide enough of these factors to his employees, there will be job dissatisfaction. However, if they are provided, they will not necessarily act as motivators. They will just lead employees to experience no job dissatisfaction. Such hygiene/ maintenance factors are as listed below:-

- Company's Policies and Administration,

- Technical supervision

- Working Conditions,

- Interpersonal Relations with superiors and other subordinates,

- Salary,

- Job Security,

- Status,

- Personal Life, and

- Employee Benefits.

1. **Motivators/Satisfiers Factors: - These Factors** act as forces of **job satisfaction**. They create positive and a longer lasting effect on employee's performance and are related to work it-self. Adequate provisions of such factors are called '**Satisfiers**'. They make people happy with their jobs because they serve man's basic needs for psychological growth. In addition, they also motivate employees in their work. Such factors are called motivators by Herzberg. The motivating factors are:-

- Achievement,

- Recognition for Accomplishment,

- Increased Responsibility,

- Opportunity for Growth and Development, and

- Creative and Challenging Work.

- The Intrinsic characteristics of the work itself

- Advancement

- Possibility of growth

Herzberg's Two-Factor Theory

Motivators

Achievement

Recognition

Work itself

Responsibility

Advancement

Personal Growth

Hygienes

Policies and Administration

Supervision

Relation with Peers

Working Conditions

Pay

Job Security

Herzberg's two factor theory has made a significant contribution towards improving manager's basic understanding of human behavior. His theory is simple to grasp, based on some empirical data and guides managers to improve employee motivation. These two sets of factors are quite independent of each other. It may be noted that hygiene factors, when satisfied, tend to eliminate dissatisfaction but do not motivate an individual employee for better performance. The motivating factors will permit an individual to grow and develop in a natural way. In brief, hygiene factors affect an individual's willingness to work while motivating factors affect his ability and efficiency to work.

3.12 Contribution of Likert

Rensis Likert was an American educator and organizational psychologist best known for his research on management styles. He is also famous for developing the Likert Scale, a psychometric scale commonly involved in research using questionnaires. He was known for his support of interdisciplinary collaborations and emphasis on using social science research to effect positive change. **Rensis Likert** legacy to management is the following:-

1. **Likert Scale: -** Likert developed a scale and used it to identify the extent of a person's beliefs, attitudes, or feelings towards some objects. The traditional Likert scale asks people the extent to which they agree or disagree with a statement on a 5-point scale. The scale ranges from "strongly agree" to "strongly disagree." A Likert scale is a psychometric scale commonly involved in research that employs questionnaires. It is the most widely used approach to scaling responses in survey research, such that the term is often used interchangeably with rating scale, or more accurately the Likert-type scale, even though the two are not synonymous.

Likert distinguished between a scale proper, which emerges from collective responses to a set of items (usually eight or more), and the format in which responses are scored along a range. Technically speaking, a Likert scale refers only to the former.

The difference between these two concepts has to do with the distinction Likert made between the underlying phenomenon being investigated and the means of capturing variation that point to the underlying phenomenon. When responding to a Likert questionnaire item, respondents specify their level of agreement or disagreement on a symmetric agree-disagree scale for a series of statements.

Thus, the range captures the intensity of their feelings for a given item. A scale can be created as the simple sum questionnaire responses over the full range of the scale. In doing so, Likert scaling assumes that distances on each item are equal.

2. *Management Styles: - Likert developed his management styles in the 1950s. He outlined four systems of management to describe the relationship, involvement, and roles of managers and subordinates in industrial settings. He*

studied human behavior within many organizations. After extensive research, he concluded that there are four styles of management. According to Likert, the efficiency of an organization is influenced by their style of management. Likert categorized his four management styles, let's try to understand one by one:-

(A)   Exploitive Authoritative Style: - In this style of management the job of employees is to abide by the decisions made by managers and those with a higher status than them in the organization. The subordinates do not participate in the decision making. The organization is concerned simply about completing the work. The organization will use fear and threats to make sure employees complete the work set. There is no teamwork involved.

(2)   Benevolent Authoritative Style: - Just as in an exploitive authoritative style, here too, decisions are made by those at the top of the organization and management. However employees are motivated through rewards (for their contribution) rather than fear and threats. Information may flow from subordinates to managers but it is restricted to "what management wants to hear".

(3)   Consultative System: - In this type of management style, subordinates are motivated by rewards and a degree of involvement in the decision making process. Management will constructively use their subordinates ideas and opinions. However involvement is incomplete and major decisions are still made by senior management. There is a greater flow of information from subordinates to management. Although the information from subordinate to manager is incomplete and euphemistic.

(4)   Participative Style: - Management has complete confidence in their subordinates. There is lots of communication and subordinates are fully involved in the decision making process. Subordinates comfortably express opinions and there is lots of teamwork. Teams are linked together by people, who are members of more than one team. Likert calls people in more than one group "linking pins".

Employees throughout the organization feel responsible for achieving the organization's objectives. This responsibility is motivational especially as subordinates are offered economic rewards for achieving organizational goals which they have participated in setting.

Likert believes that if an organization is to achieve optimum effectiveness then the "ideal" system to adopt is Participative management style.

3.13 Contribution of McGregor

Douglas Murray McGregor is one of the forefathers of management theory and one of the top business thinkers of all time. He also taught at the Indian Institute of Management Calcutta. In 1960 his book *The Human Side of Enterprise* had a profound influence on education practices, largely due to his Theory X and Theory Y. McGregor developed a philosophical view of humankind with his Theory X and Theory Y in 1960.

His work is based upon Maslow's Hierarchy of Needs, in that he grouped the hierarchy into lower-order needs (Theory X) and higher-order needs (Theory Y). He suggested that management could use either set of needs to motivate employees, but better results would be gained by the use of Theory Y, rather than Theory X. Theory X represents the pessimistic viewpoint, whereas theory Y represents an optimistic viewpoint. These two opposing perceptions theorized how people view human behavior at work and organizational life. Let's understand one by one:-

1. **THEORY- X: -** This principle is based on the assumption that an ordinary person has no interest in his work and he tries to avoid his work to the maximum extent possible. Thus to make them work, it is necessary to pressurise, terrorize, punish and direct them. This theory assumes that the workers are not ready to work unless they are terrorized. Following are the assumptions of theory -X:-

    People have an inherent dislike for work and will avoid it whenever possible.

- People must be coerced, controlled, directed, or threatened with punishment in order to get them to achieve the organizational objectives.

- People prefer to be directed, do not want responsibility, and have little or no ambition.

- People seek security above all else.

    With Theory X assumptions, management's role is to coerce and control employees.

2. **THEORY- Y: -** To remove the defects of theory 'X' McGregor propounded theory 'Y'. In this theory, it is assumed that a person, at his own will, wants to take responsibility of his work. This theory is based on human values and the socialistic pattern. This theory suggests, that to obtain good results, in any organization, the most effective method is to work along with the workers with harmony and not by making them work by orders. Following are the assumptions of theory- Y:-

- Work is as natural as play and rest.

- People will exercise self-direction if they are committed to the objectives (they are NOT lazy).

- Commitment to objectives is a function of the rewards associated with their achievement.

- People learn to accept and seek responsibility.

- Creativity, ingenuity, and imagination are widely distributed among the population. People are capable of using these abilities to solve an organizational problem.

- People have potential.

  With Theory Y assumptions, management's role is to develop the potential in employees and help them to release that potential towards common goals.

  In conclusion, we can say that theory 'X' is quite unwarranted because it supports the authoritarian view which is not suitable in present LPG era economy. One must realize that the man at work is not a machine, he is a human being and he is not only to execute the orders of the top line executives but he should also think over the order on its merits before its execution. Management can get results by coercion or through pressure tactics only in short run till people respond to pressures and controls partly out of fear of consequences of not following the orders of the top line executives.

  On the other hand, under the changing and socialistic conditions of the world, theory-Y is more popular and active. By adoption of this theory the efficiency of workers increases alone with their incomes. The organizations in which theory 'Y' has been adopted, there has been an

increase in production moreover the relations of employer and employees have also improved.

3.14 Summary

The art of management has ancient roots. It is as old as civilization. The Egyption pyramids and the great wall of china indicate that large projects requiring managerial skills were undertaken thousands of years ago. Can be divided into various stages. Various evolution stages are ancient civilization, medieval period, industrial revolution, systematic, development era and scientific era.

The word scientific management is made from two words. First is scientific, the other is management. Scientific means specialized knowledge on a particular subject, whereas management means establishing coordination between the various factors of production. Taylor introduced new and scientific methods and principles in place of traditional methods of management, by which maximum production at minimum cost could become possible.

Henry Laurence Gantt emphasized the need for developing an understanding of system on the part of both labour and management and of appreciating that "in all problems of management the human element is most important one".

Frank B. Gilbreth and Lillian M. Gilbreth developed time and motion studies and devised certain management techniques independent of Taylor. The first general principle of management was offered for managers, by Fayol in his book "General and Industrial Management." But he pointed out that principles were not cut and dried answer to management problems but simply as guides to the solution of problems. He listed fourteen principles of management which his are based on experience.

Max Weber developed Bureaucratic Theory. According to him, bureaucracy is the most efficient form of organization. The organization has a well-defined line of authority. It has clear rules and regulations which are strictly followed. Weberian model of bureaucracy is a hypothetical rather than a factual Description of how most organizations were structured. It provides an ideal organizational structure, that is, the one

that would be perfectly rational and provides for maximum efficiency of operations. Weber's bureaucracy is utopian in concept and admirable in ideal. It is characterized by specialization and division of labor impersonality.

Elton Mayo has secured fame as the leader in a series of experiments which became one of the great turning-points in management thinking. Mayo was also known as the founder of the Human Relations Movement, and was known for his research including the Hawthorne Studies and his book "The Human Problems of an Industrialized Civilization." Hawthorne Studies of the 1930s showed the importance of groups in affecting the behavior of individuals at work. Mayo's employees, Roethlisberger and Dickson, conducted the practical experiments. This enabled him to make certain deductions about how managers should behave.

Chester Irving Barnard sets out a theory of organization and of the functions of executives in organizations and is the author of pioneering work in management theory and organizational studies. Barnard looked at organizations as systems of cooperation of human activity, and noted that they are typically short-lived. It is rare for a firm to last more than a century. Similarly most nations last for less than a century. According to Barnard, organizations are not long-lived because they do not meet the two criteria necessary for survival: effectiveness and efficiency.

Maslow's need priority model in one of the most widely referred to theories of motivation based on human requirements. As per opinion of the Maslow, behavior motivation begins with the cradle of all processes According to him a person's motivational needs could be arranged in a hierarchical manner, starting in an ascending order from the lowest to the highest needs, and concluded that once a given level of needs was satisfied, it ceased to be a motivator; the next higher level of need to be activated in order to motivate the individual.

Frederick Herzberg extended the work of Maslow and developed a specific content theory of work motivation. **Herzberg's** theory of motivation is also called Two Factor Theory. This theory is based on the information collected by him and his associates by interviewing two

hundred engineers and accountants. The information collected relates to the attitude of people towards work. This attitude towards work depends on two sets of factors namely hygiene or maintenance factors and the motivating factors.

Likert was an American educator and organizational psychologist best known for his research on management styles. He is also famous for developing the Likert Scale, a psychometric scale commonly involved in research using questionnaires. He was known for his support of interdisciplinary collaborations and emphasis on using social science research to effect positive change.

McGregor is one of the forefathers of management. His book 'The Human Side of Enterprise' had a profound influence on education practices, largely due to his Theory X and Theory Y. His work is based upon Maslow's Hierarchy of Needs, in that he grouped the hierarchy into lower-order needs (Theory X) and higher-order needs (Theory Y). He suggested that management could use either set of needs to motivate employees, but better results would be gained by the use of Theory Y, rather than Theory X.

3.15 key words

Scientific Management: - Specialized knowledge on a particular subject and establishing coordination between the various factors of production,

Work Related Estimates: - A clear estimate of the work done. In the given time, what amount of work a medium worker can complete.

Time Study: A person with a watch and a chart sits art such a place form where he can observe all workers but he cannot be seen by anyone. After that he enters the amount of time taken on performance of each process.

Motion Study: activities of workers are analyzed to study that how many times each worker has to make efforts (like-sitting, standing etc.).

Fatigue Study: - It is taken to determine the amount and frequency of rest required in completing a task.

Incentive Wage System:- The wage system, which motivates the workers to work more.

Scientific allocation of work: The work should be distributed on the basis of the efficiency and ability of workers.

Mental revolution: - Mental revolution means that there should be significant change in the thinking of both workers and managers, so that coordination is established between them.

Terminal elements:- Terminal elements are the smaller more intricate tasks that need to be completed as part of a larger task.

Summary element:- A summary element is made up of terminal elements to form the larger task.

Unity of Command:- It means, all employees receive directions from a single official.

Scalar Chain:- To complete any work in time, it necessary that continuous communication is maintained from the higher official to the lower employees.

Spirit of Cooperation:- Organization must work as a team with full cooperation. To install the feeling of cooperation, the principle of unity of command must be followed rigidly and the system of working together must be maintained among the employees.

Bureaucracy:- The organization has a well-defined line of authority. It has clear rules and regulations which are strictly followed.

Need priority model:- A person's motivational needs could be arranged in a hierarchical manner, starting in an ascending order from the lowest to the highest needs, and concludes that once a given level of need is was satisfied we go to the next higher level.

Self-Actualization needs:- Self-actualization refers to a complete understanding of the self. To be self-actualized means to truly know who you are, where you belong in the greater society, and to feel like you have accomplished all that you have set out to accomplish.

Exploitive Authoritative Style: - In this style of management the job of employees is to abide by the decisions made by managers and those with a higher status than them in the organization.

Benevolent Authoritative Style: - Decisions are made by those at the top of the organization and management. However employees are

motivated through rewards (for their contribution) rather than fear and threats.

Consultative System: - In this type of management style, subordinates are motivated by rewards and a degree of involvement in the decision making process. Management will constructively use their subordinates ideas and opinions.

Participative Style: - Management has complete confidence in their subordinates. There is lots of communication and subordinates are fully involved in the decision making process. Subordinates comfortably express opinions and there is lots of teamwork.

3.16 Important Questions

Q1) Write an essay on evolution of management thought? Also describe its various stages.

Q2) Present a detail analysis about contribution of Taylor to management?

Q3) What is scientific management? List its various characteristics.

Q4) Discuss the importance of Time, Motion and Fatigue study?

Q5) "Complete mental revolution is necessary for the success of scientific management." Comment.

Q6) What is Gantt chart? How it is helpful for managers?

Q7) Define fourteen principles of administration given by Fayol?

Q8) Describe concept and characteristics of Ideal Bureaucracy given by Weber?

Q9) Discuss the results of Hawthorne experiments conducted by Elton mayo.

Q10) Discuss contribution of Barnard to management?

Q11) Define Maslow's need priority model?

Q12) Describe **Hygiene/** Maintenance **and** Motivators/Satisfiers **factors** Given by Herzberg?

Q13) Why Rensis Likert is famous? Discuss various management styles given by him?

Q14) Differentiate between Theory X and Theory Y. Which one is more suitable for current business environment?

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UNIT-04   Important Approaches to Management

Unit Structure

4.1 Introduction

Modern management techniques are sophisticated and scientific way of explaining a complex day to day management problems. Modern management techniques are comparatively systematic and highly constrictive. It is not an instantaneous or overnight development. It is rather a composite representation of various contributions from science discipline over three decades.

In last unit we have studied valuable contribution in the field of management. Now we are going to conclude this block with this unit, in which, we will focus on knowledge of management science, Operations research/Mathematical school, Decision theory approach, Systems approach and McKinsey 7-S approach.

4.2   Objectives

The objectives of this unit are to enable you:-

- To understand management science

- To explain operations research /mathematical school

- To focus on Decision theory approach.

- To analyze fundamentals of systems approach and

- To understand McKinsey 7-S framework.

4.2   Management Science

The management science approach has made a significant impact on the practice of management. The methods and techniques developed under it are being increasingly used for managerial decision making. This approach has contributed a lot in developing orderly thinking in management leading to more exactness. The management science approach has given effective tools to solve problems of planning and control.

The management science approach was evolved after the Second World War. It involves the application of sophisticated quantitative/ mathematical techniques for solving managerial problems. Several mathematicians, engineers and economists made significant contributions to this approach. In recent years the scientific method or attitude has been increasingly adopted by good managers towards performance of their job of managing. They have developed inquiring minds which first attempt to identify the problem from hypothesis or tentative solutions, then investigate in terms of current knowledge and even controlled experiment, classify the data so obtained and develop it into alternative courses from which ultimately the appropriate solution is sought.

This approach is known by several names such as decision theory approach, mathematical approach, quantitative approach, operations research approach, etc. The use of management science has the following merits:-

- It uses rational and systematic methods to solve managerial problems.

- It treats management as a field of scientific study.

- It helps developing an "inquiring mind".

- It develops managerial skill of job design.

- It helps in improving production efficiency.

Besides above merits of management science, let's categorically try to understand various advantages for various segments like employers, workers and the society related with organizational business:-

1.   **Advantages to Employer: -** Following advantages are enjoyed by the employer with the effective use of management science in their day to day affairs. Lets list one by one:-

- Scientific management is the effective combination of the most suitable factors of production. It makes possible for the management to ensure greater efficiency through standardization, simplification and scientific task planning. Ultimately this results in the reduction of cost.

- Under it there is effective planning and control of work as regards how, where and when it is to be done, this helps in setting of the production targets with utmost confidence.

- Scientific and factual study and investigation of different methods and techniques offer the most appropriate and simplified process.

- Scientific management makes it possible for the business to reach out of areas far and wide due to better quality and lower price of the goods produce d. It leads to increased profits and growth.

- It becomes possible under scientific management to have complete mental revolution on the part of both management and workers. This leads to greater harmony in the enterprise and thus conflict-free atmosphere prevails.

2.   **Advantages to Workers: -** Workers are taking following advantages from their employers by implementing management science in their day to day working in the organization. Lets list one by one:-

- Under scientific management, there is a great emphasis on improving the actual working conditions such as proper ventilation, lighting, space etc. This enables workers to more hours of work smoothly.

- As productivity is increased under scientific management, the workers get more wages which increase their standard of living.

- Workers are provided free training to make them more efficient in the real situations of the job and business.

- Everyone is offered the job for which he is most suited. The psychological testing about the interest and aptitude of the employees results in an interest in the job.

- Under scientific management, differential piece work system of wage payment is adopted. According to this system, the wage is determined by the individual performance and on the position which a worker occupies. Thus, wages under the system are positively correlated with the efficiency.

3. **Advantages to Society: -** Society as a whole benefits by the use of management science in the business organizations in following way:-

- Scientific management leads to economic prosperity. Production is done at minimum cost, standard of living is raised on account of higher wages and economical and efficient use of social resources etc. makes the society prosperous.

- It aims at providing maximum satisfaction to both industrialist as well as employees. This leads to a tension free relationship between the two and this causes an industrial harmony.

- Under scientific management different measures are adopted that ultimately increase product ion. It becomes a boon to the society.

- Because of increased production goods are easily available at fair price to the people.

Thus, management science is being increasingly used in arriving at management decisions. Besides the modern development towards the use of quantitative techniques and mathematics is an aid to managerial decision making. The advent of the computer as a

management tool has given great impetus to the use of such quantitative management methods.

4.3 Operations Research / Mathematical Approach

In recent years the scope of intuitive judgment in decision making is gradually being curtailed and a greater emphasis has been put on quantitative approach involving the use of mathematics and statistics. This quantitative approach to decision making is referred to as operations research.

The origin and development of operations research/mathematical approach is attributed to military operations and applications during Second World War. The war put tremendous pressure on the use of available scarce resources for various strategic and tactical operations. The groups of scientists, engaged in these efforts, analyzed the operations connected with the war, therefore, were called Operations Research Teams.

The success of operations research in developing effective options is instrumental in making this approach rather dependable in decision-making process. This is done by constituting a mixed team of specialists from concerned disciplines whose job is to analyze the problem and propose a course of action to the management. This is done through optimizing models like Linear Programming; project Management, Inventory Control, Decision Theory and Waiting line theory.

Above mentioned models symbolically show all the relevant factors that have a bearing upon the problem and the way they are related with each other. The scientists then change the values of various variables in the model, for example, by increasing the cost of raw material and then analyze the different resultant equations in the model through the use of computers.

Thus, operations research/mathematical approach is the systematic method of studying the basic structure, functions and relationships of an organization as an open system. It aims at developing optimal solution with limited resources in a given situation. It covers six steps in its approach to problem solving. They are:-

(a) Identification of a problem;

(b) Construction of a mathematical model to investigate the problem;

(c) Developing a good solution;

(d) Testing of the model in the light the data available;

(e) Identifying and setting up of control points;

(f) Implementation of the option as a solution to a critical problem.

Overall the operations research/mathematical approach is characterized by the following:-

- The main aim of all exercises under this approach is ultimately to suggest alternative for decision making by the manager. Through the use of mathematical model, it provides quantitative tools and techniques for making objectively rational decisions. Objective rationality implies an ability and willingness to follow a reasoned, rational unemotional, orderly and scientific approach in relating means with ends and in visualizing totality of the decision environment.

- Under this approach, the final course of action is decided by weighing such factors as costs, revenues and rates of return on investment.

- The quantitative approach uses mathematical models based on mathematical equations and analyses using mathematical rules and formulas.

- The quantitative approach is based upon heavy reliance and excessive use of computers. As already pointed out, the analysis of variables in then mathematical model is to be done through computers. This is because of the advanced processing capabilities of computers.

Varied business problems that have been subjected to quantitative analysis by operations research include production scheduling, control of production runs in oil refineries, purchasing policies, capital budgeting, freight and transportation costs, assignment of salesmen to market areas, pricing, selection of advertising media and location of plant, store or warehouse have seen the greatest application of operations research.

In this way the OR team presents the management with a rational base for making a decision and try to develop the best solution that will

contribute to organizational goals. In brief, this approach is based on the assumption that mathematical tools can assist a manager in finding solutions to the problems.

4.4   Decision theory approach

The exponents of decision theory approach, led by Simon, concentrate their attention fully on decision-making. They are of the view that the entire managerial functions boil down to one point that is decision-making. Decisions are taken through rational choice among different alternatives within the given constraints. The schools streses is on the study of alternatives through right assessment of different variables.

This group concentrates on rational approach to decision making the selection from among possible alternatives of a course of action or of an idea. This approach may be to deal with the decision itself or with the persons or organizational group making the decision or with an analysis of the decision making process.

This approach is heavily oriented to model building with the help of different mathematical tools and techniques. A wide range of mathematical and rational research tools and techniques have been used for taking decisions with regard to the great variety of problems that management faces, such as work study, work flow, inventory control, incentives, marketing, communication, planning and information system etc. The methods of decision making also have undergone radical changes from the past. Several new concepts and approaches have been developed in the field of decision making. For example, the concept of sub-optimization, marginal decisions and "muddling throw" are some and gradually the superficial methods of decision making are giving way to real situation oriented approaches to management.

The advocates of this approach contemplate that the future development of management discipline will veer around decision-making. Thus, in their view, the entire field of management is covered by this approach.

4.5 Systems approach

In the attempts to make the study of organizations more scientifics

one promising technique is commonly known as 'systems approach'. It was developed during the late 1950's. This tried to unify the prior schools of thought. Since its roots are deeply planted in the physical and biological sciences it carries with it an aura of respectability. Relatively recent in origin, this concept has received tremendous popularity.

There is probably no universally accepted definition of a system or a systems concept. Any particular definition of system is a set of interrelated, interdependent and interacting elements or in other words we can say, a system is an organized, unitary whole composed of two or more interdependent parts, components, or subsystems and delineated by identifiable boundaries from its environment.

In this sense anything can be viewed as a system. A power is an electrical system, a tree is a botanical system, a cow is a zoological system, and a business firm is a social system. But the question often arises, why we study systems? Lets try to understand its answer.

The systems approach has made a significant contribution to management theory and practice. It is an integrating approach which considers management in its totality. It points out the complex, multidimensional and multidisciplinary character of management. It is a valuable aid in understanding the interrelationships between different parts of an organization and its environmental interface. It gives a manager a wider and overall perspective.

This approach possesses a conceptual framework of much higher order than any other approach. It facilitates better understanding of organizational functioning in complex environment. It suggests that the internal functioning of an organization must be consistent with the demands of the changing environment and the needs of its members. On the basis of above discussion, the fundamental features of the systems approach are as follows:-

• System comprises of parts that are interdependent and interacting.

• The various sub-systems must be studied in their inter relationships rather, than in isolation from each other.

- Each system is a whole which is greater than the sum of its parts. It is called synergy.

- System has an inherent regulatory mechanism.

- System has a hierarchy of levels, i.e., for every system there is a super system and subsystems within it.

- An organization system has a boundary that determines which parts are internal and which are external.

- A system does not exist in a vacuum. System transforms inputs into output. This transformation process is essential for the survival of the system.

Systems approach is all encompassing and takes much broader view of organizational variables. The systems approach however, suffers form several limitations. Let's try to list few of them:-

- The conceptual framework of the systems approach is too broad and hence too abstract. It does not offer a unified body of thought and therefore it is difficult, especially in case of a large organization to understand it in totality.

- It does not attempt to identify situational differences and factors in different types of organization. It is based on the assumption that all organizations work under similar conditions and operate through similar processes.

- It tends to overemphasize the 'oneness' of an organization.

- It becomes difficult to determine precisely what to do to create a desired change in the system.

- The Coordination and the harmony between different parts of an organization are difficult to achieve. In fact, organizations have too many built-in conflicts.

4.5.1 Key concept of system

When we view the organization in the context of system framework, a system will have the following important concepts. Let's try to understand one by one:-

1.   **Interdependence:-** An organization is a system, its parts make up a system which are interdependent and interacting. No subsystem is

independent and no single subsystem is sufficient enough to provide necessary conditions for functioning and survival of a system and this will have ramifications for the other parts and hence on the total organizational unit.

2.   **Synergism:-** Synergy means the whole is greater than the sum of parts. That is to say, one plus one is greater than two. Although algebraically it is untrue (absurd) it is a reality in organizational life. It refers to the interactive effect of the parts of the system when put together. That means essentially, interaction of parts create an effect which is greater than the effect of the parts when functioned independently and separately.

3.   **Wholism: -** While studying an organization, all the parts must be considered. A system is considered as a functioning whole. It means the organization is studied with macro perspective. A system acts as a whole when as change in a particular part causes a change in all the other parts and in the total system.

4.   **Boundaries:-** Boundaries make the limits of the system. Systems rarely have impenetrable physical boundaries. Closed systems have somewhat rigid boundaries; but a few closed systems exist in real life. Almost all the systems at least require some outside energy to survive. Boundaries are not rigid but reasonably tight. Further more, boundaries between system and super system are often fuzzy.

5.   **Feedback:-** To keep an organization on course and to adapt to change when necessary, feedback is essential. The information that is used to control the future functioning of the system is considered as 'feedback'. It refers to the information regarding the actual performance of the system. Feedback is a major tool of the behavioral science and is the foundation of the science of cybernetics.

6.   **Cybernetics: -** When feedback is used to adjust the operation of a system it is know as cybernetics. Cybernetics is concerned with the steersman-ship of guidance of a system. It depends on the feedback and is the heart of the organizational control. It is the analytic science of detecting the deviations from the normal behavior and taking the necessary and corrective action and to eliminate error. One example of the application of cybernetics is the management by objectives.

4.5.2 Closed system vs. Open system

There are two major types open and second is closed. A closed system has fixed boundaries; its operation is relatively independent of the environment outside the system. A mobile phone is a familiar example of a closed system. The interdependent parts of a phone work continuously and precisely once the mobile is wound or a battery is inserted. As long as the phone has sufficient energy stored within it, its system is independent of the external environment.

An open system on the other hand, is characterized by interaction with the external environment. Information and material are exchanged with the environment. Thus an open system is one which constantly comes into contact with the environment. Because of such close and constant interaction it must be capable of adapting to the environment for its continued existence and operation. Thus System may be open or closed system may also be classified as simple or complex. Another type of classification of systems is in terms of abstract and concrete. Let's try to differentiate between closed and open system:-

1.   All non-living organisms are closed system. On the other hand all living organisms are open systems.

2.   Closed systems are self-contained and self-maintaining while open system import energy and export output.

3.   Closed systems are generally mechanical but open systems are highly dynamic and flexible.

4.   Closed systems are rigid and static rather open system interacts with the environment.

5.   Closed systems are like closed-loop and do not interact with environment on the other hand open system are characterized by negative entropy which helps the system survive by importing more energy from the environment than is expended or consumed.

6.   Another essential feature of the open system is feedback mechanism that helps the system maintain homeostatic.

Looked at from the systems viewpoint, it is obvious that all organizations are open systems. They are dependent on the world outside for survival.

4.5.3 Sub systems

While an organization as a whole is a system, the various components or parts within it are called the subsystems. The subsystems in an organization are departments or divisions and different levels of management. All play a crucial role in the functioning of the organization, just as in our human body subsystems of circulation, digestion, nerves and skeleton do. Further, subsystems can in turn, be composed of still smaller subsystems. Since all are linked, a malfunction in even smallest subsystem can affect the overall system. The organization is composed of the following subsystems:-

1.   **Goals and values: -** Organizational values and goals are the most important of all these subsystems. Organization is a subsystem of the society and hence should accomplish the goals that are deter-mined by the environmental suprasystem. Organization must conform to social requirements; it survives only when it satisfies the society thus it produces the goods and services demanded by the society.

2.   **Technical subsystem: -** Technology refers to the techniques used in the transformation process. Technical subsystem affects the organization structure as well as the psychological system. It is largely shaped by the specialization of knowledge, the machinery and equipment involved and layout facilities and skills.

3.   **Psychosocial subsystem: -** In every organization individuals and groups interact to produce the components of individual behavior, motivational aspects and group dynamics. It is also influenced by the emotions, attitudes, sentiments, expectations and aspirations of the employees in an organization. It is also affected by external environmental pressures or forces. For instance, the climate for person on the assembly line is different from that of the doctor in the hospital.

4.   **Structural subsystem: -** Structure refers to the ways in which the tasks are divided and coordinated in the organization. It is concerned with the establishment of authority relationships, communication networks, and the flow of work.

5.   **Managerial subsystem: -** It is concerned with the managerial activities in an organization. Setting the goals, developing

comprehensive and strategic plans, establishing controls are the primary managerial functions performed through this subsystem.

4.5.4 System boundary

Each system has its own boundaries which separate it from other system in environment. Boundaries make the limits of the system. Systems rarely have impenetrable physical boundaries. The boundaries of an open system, however, are penetrable or 'permeable'. This is not so in the case of closed systems where boundaries are rigid. In other words closed systems have somewhat rigid boundaries; but a few closed systems exist in real life. It is the job of the management to save as a tool of boundary linking between different subsystems in a system and between n different systems.

Almost all the systems at least require some outside energy to survive. Boundaries are often not rigid but reasonably tight. Further more, boundaries between system and suprasystem are often fuzzy. Thus management of a business organization can bring the organization into contact with other systems like the government, customers and suppliers.

4.6 McKinsey 7-S Approach

A question often has been asked for many years from managers as to how do you go about analyzing how well your organization is positioned to achieve its intended objective? They have many different answers. Some says, we have to look at internal factors, others look at external ones, some combine these perspectives, and others look for congruence between various aspects of the organization being studied.

Ultimately, the issue comes down to which factors to study. While some models of organizational effectiveness go in and out of fashion, one that has persisted is the McKinsey 7-S framework developed in the early 1980s by Tom Peters and Robert Waterman, two consultants working at the McKinsey & Company consulting firm. They identified seven interdependent organizational factors that need to be managed harmoniously. Thus, It can be used for any of the following purposes:-

- Organizational alignment or performance improvement

- Understanding the core and most influential factors in an organization's strategy

- Determining how best to realign an organization to a new strategy or other organization design

- Examining the current workings and relations within an organization.

The uses of the 7-S framework can be as a static picture to determine how effectively the organization is implementing its strategy. Also, it can be used two-fold with a current state and an intended future state. By comparing the current and future states, gaps can be assessed, which lead to improvement and action plans. That latter case enables the model to be used for large scale changes. The 7-S model involves seven interdependent factors. It can be divided in two categories first is "hard" factors, which include Strategy, Structure and Systems. On the other hand, second one is soft factors, which include Shared values, Skills, Style and Staff.

If we differentiate between these two, we find that hard elements are easier to define and management can directly influence them. On the other hand, soft elements can be more difficult to describe, and are less tangible and more influenced by culture. However, these soft elements are as important as the hard elements if the organization is going to be successful. The way the model is presented in Figure 1 below depicts the interdependency of the elements and indicates how a change in one affects all the others.
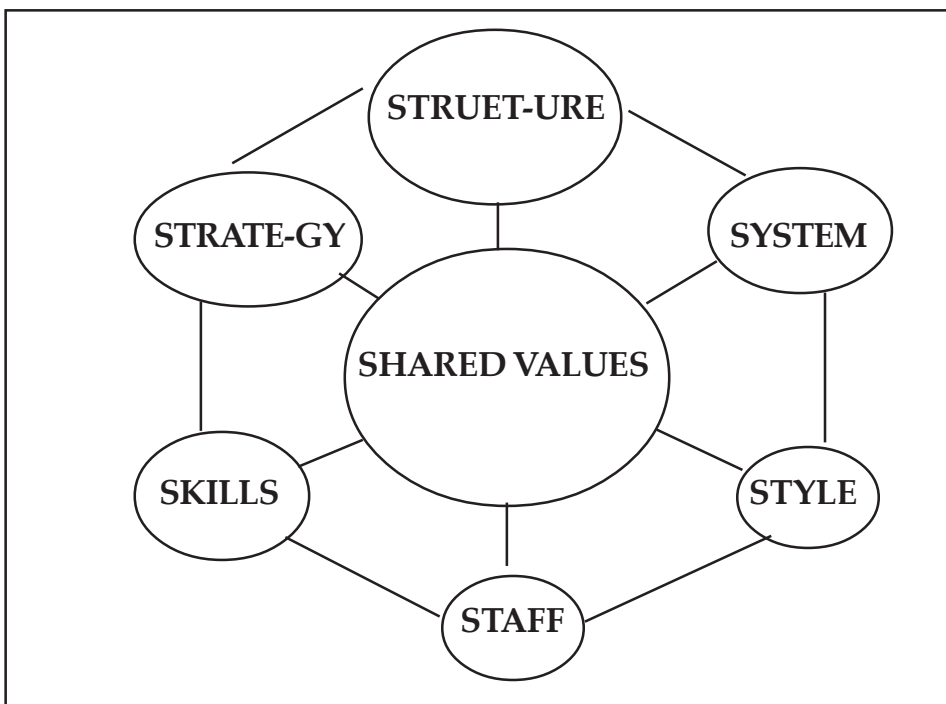
As you see the above picture of 7-S model portrays seven elements of an organization. Now, let's try to define each of seven elements one by one:-

1.   Strategy – This is the organization's alignment of resources and capabilities to "win" in its market. It is the plan devised to maintain and build competitive advantage over the competitors.

2.   Structure – This describes how the organization is organized. It is the way the organization is structured and who reports to whom. This includes roles, responsibilities, and levels of hierarchy, location of its authority and accountability relationships.

3.   Systems – The procedures, processes and routines that characterize how important work is to be done: financial systems; hiring, promotion and performance appraisal systems; information systems.

4.   Shared Values – This is a set of traits, behaviors, and characteristics that the organization believes in. This would include the organization's mission and vision.

5.   Style – Style refers to the cultural style of the organization, how key managers behave in achieving the organization's goals, how managers collectively spend their time and attention, and how they use symbolic behavior. How management acts is more important than what management says.

6.   Staff – This is the employee base, staffing plans, their general capabilities and talent management.

7.   Skills – Skill refer to the dominant distinctive capabilities and competencies of the personnel or of the organization as a whole.This is the ability to do the organization's work. It reflects in the performance of the organization.

The model is based on the theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. The 7-S framework suggests that changes in any one of the aforesaid factors may lead to the need to abolish all other six factors.

So, the model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment (and performance) during other types of change. Whatever the type of change – restructuring,

new processes, organizational merger, new systems, change of leadership, and so on the model can be used to understand how the organizational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration.

The 7-S model is one that can be applied to almost any organizational or team effectiveness issue. If something within your organization or team isn't working, chances are there is inconsistency between some of the elements identified by this classic model. Once these inconsistencies are revealed, you can work to align the internal elements to make sure they are all contributing to the shared goals and values.

4.7 Summary

The management science approach has made a significant impact on the practice of management. The methods and techniques developed under it are being increasingly used for managerial decision making. Management science is being increasingly used in arriving at management decisions. Besides it is a modern development towards the use of quantitative techniques and mathematics as an aid to managerial decision making. The advent of the computer as a management tool has given a great impetus to the use of such quantitative management methods.

In recent years the scope of intuitive judgment in decision making is gradually being curtailed and a greater emphasis has been put on quantitative approach involving the use of mathematics and statistics. This quantitative approach to decision making is referred to as operations research. Operations research/mathematical approach are the systematic method of studying the basic structure, functions and relationships of an organization as an open system. It aims at developing optimal solution with limited resources in a given situation. It covers six steps in its approach to problem solving.

The exponents of decision theory approach, led by Simon, concentrate their attention fully on decision-making. They are of the view that the entire managerial functions boil down to one point and that is decision-making. Decisions are taken through rational choice

among different alternatives within the given constraints. The school stresses is on the study of alternatives through right assessment of different variables.

In an attempts to make the study of organizations more scientific, one promising technique is commonly known as 'systems approach'. The systems approach has made a significant contribution to management theory and practice. It is an integrating approach which considers management in its totality. It points out the complex, multidimensional and multidisciplinary character of management. It is a valuable aid in understanding the interrelationships between different parts of an organization and its environmental interface. It gives a manager a wider and overall perspective.

McKinsey 7-S framework developed in the early 1980s by Tom Peters and Robert Waterman, two consultants working at the McKinsey & Company consulting firm identified seven interdependent organizational factors that need to be managed harmoniously. The model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment (and performance) during other types of change. The7-S model is one that can be applied to almost any organizational or team effectiveness issue.

4.8   Key Words

Management science: - It involves the application of sophisticated quantitative/mathematical techniques for solving managerial problems.

Operation research/mathematical approach:- Operation research/ mathematical approach is a systematic method of studying the basic structure, functions and relationships within an organization as an open system.

Decision theory: - This approach deal with the decision itself or with the persons or organizational group making the decision or with an analysis of the decision making process.

System:- a system is an organized, unitary whole composed of two or more interdependent parts, components, or subsystems and delineated by identifiable boundaries from its environment.

Synergy:- Synergy means the whole is greater than the sum of parts. That is to say, one plus one is greater than two.

Wholism: - A system acts as a whole when change in a particular part causes a change in all the other parts and in the total system.

Boundaries:- Boundaries make the limits of the system.

Cybernetics: - When feedback is used to adjust the operation of a system it is know as cybernetics. Cybernetics is concerned with the steersman-ship of guidance of a system.

Closed system: - A closed system has fixed boundaries; its operation is relatively independent of the environment outside the system.

Open system: - An open system is characterized by interaction with the external environment; information and material are exchanged with the environment. It is one which constantly comes into contact with the environment.

4.9   Important Questions

Q1)   Write an essay on advantages of management science in current scenario?

Q2)   What is management science approach? List its various merits.

Q3)   Discuss the importance of operations research/mathematical approach?

Q4)   Explain six steps of operations research/mathematical approach to problem solving.

Q5)   Discuss the concept of Decision theory in your words?

Q6)   What is Systems concept? List and discuss its fundamental features.

Q7)   Define various Key concepts related with system?

Q8)   Differentiate between closed system and open system?

Q9)   Discuss the various components or subsystems of a system?

Q10)   Define the concept of System boundary?

Q11) Describe McKinsey 7-S frameworks also discuss its uses and importance to managers?

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Block

2

Planning and Decision Making

विशेषज्ञ –समिति

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परिमापक

अनुवाद की स्थिति में

मूल लेखक	अनुवाद
मूल सम्पादक	भाषा सम्पादक
मूल परिमापक	परिमापक

सहयोगी टीम

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Block 2 : Planning and Decision Making

Block Introduction

Block Two comprises of two units. Unit five deals with planning, Unit six deals with nature and purpose of strategies and policies. Unit seven deals with decision making and its methods. Unit eight deals with brain storming and its usefulness.

Unit-05 PLANNING

Unit Structure :

5.0   INTRODUCTION

Planning means carefully deciding the future course of action after rationally thinking about ways and means. Internal and external forces, present trends and future anticipation. It is the process of thinking before doing. Planning governs the survival, progress and prosperity of any organisation in a competitive and ever changing environment. The planning function is performed by executive at every level of management. It is the 'Task number one' of management. It is the determination of a course of action. To achieve a desired result, it is deciding in advance what to do, how to do it, when to do it, and who is to do it. Planning bridges the gap from where we are to where we want to go. Planning makes it possible to occur which would not otherwise happen. It is an intellectual process. Planning actually is the foundation of management.

Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives. A plan is a predetermined course of action to achieve a specified goal. It is a statement of objectives to be achieved by certain means in the future.

In the words of Alford Beatty "Planning is the thinking process, the organised foresight, the vision based on fact and experiences that is required for intelligent action".

According to Louis A. Allen "Management planning involves the development of fore casts, objectives, policies, programmes, procedures, schedules and budgets". Koontz and O' Donnell Define "planning as an intellectual process. The conscious determination of course of action. The basing of decision on purpose, act and considered estimates".

5.1 Learning Objective

After reading this chapter you should be able to:

*   To know the meaning of planning.

*   To know the various types of plans.

*   To Understand the Process of planning.

*   To express the objectives of planning.

*   To Know about management by objectives (M.B.O.)

5.2 CHARACTERISTICS OF PLANNING

The following are the characteristics of planning:

*   Planning is a pre action stage managerial function.

*   Planning is an intellectual process.

*   Planning is an inter dependent process.

*   Planning is a continuous and unending process.

*   Planning is a participative process.

- Planning Governs the Survival, Progress and prosperity of an organisation.

- Planning is a statement of objectives to be achieved by certain means in the future.

- Planning is the foundation of management.

5.3   TYPES OF PLANS

According to Koontz and O'Donnell "keeping in mind that a plan encompasses any course of future action, we can see that plans are varied." Planning is a process and plan is the out come of such process. In the process of planning several specific plans are prepared which may classified on the basis of-

I-   Time

    (A)   Long Term

    (B)   Medium Term

    (C)   Short Term

II-   Managerial Levels:

    (A)   Top level

    (B)   Middle level

    (C)   Lower Level

III-   Broadness:

    (I)   Corporate level plans

    (II)   Department level plans

IV   Use:-

    (A)   Standing or Repeatedly:

        1-   Objectives

        2-   Mission

        3-   Policies

4- Procedures

5- Rules

6- Strategy

7- Methods

(B) Special or single or Adhoc

1- Programme

2- Budgets

3- Projects

4- Schedules

Here we discuss only the components of plans in the following paragraphs.

(A) **Standing plans :** These includes the following.

1. **Objectives:** The managerial process begins with setting the organisational objectives which give meaning and purpose to the organisation. They are the starting point as well as the end of all group activities. Objectives determine the shape of future events, provide guidance to thinking, help secure a clear vision, provide singleness of purpose and a unifying spirit in accomplishing the goals of the organization.

2. **Mission:** The term mission is described as a comprehensive programme demanding strong commitment from the workers. Mission is a broad term and reflects a very high order of idealism and is generally difficult to achieve. The mission of a business organisation may be two fold; first production and distribution of goods and services in order to satisfy the basic needs of the consumers and second provision of employment and a source of income to the people whereby they might be in a position to purchase their desired goods and services. The mission is the central guiding concept describing the fundamental reason for the existence of an enterprise.

3.   Policies: It refers to those general guidelines which are decided for the guidance of the employees. While taking decisions policies guide actions and decisions of the subordinates. They exist mainly because subordinates are given authority to make decision and the decisions on the part of subordinates consistent with established objectives can be best assured only through standing policies which are therefore a safe guard against the misuse of authority delegated to the subordinates. In the words of Harold Koontz "Policies are general statements or understanding that guide thinking in decision making".

According to G.R. Terry "A policy is verbal, written or implied overall guide setting up boundaries that supply the general limits and directions in which managerial action will take place".

4.   Procedures: Procedure is the plan that determine the sequence of activities to be conducted to perform a work. Procedures are meant to standardize and routines the pattern and pace of work flow at the operational level. They provide the framework for doing routine thing in a rational and expeditious fashion so that there is little duplication of effort. They help the process of stream lining and simplifying administrative activity. According to G.R. Terry. "A procedure is a series of related task that make up the chronological sequence and the established way of performing the work to be accomplished".

So we can say that procedures play an important role in management functions by indicating one standardized way of work performance; they assure uniformity, high level efficiency and elimination of unnecessary steps and overlapping.

5.   Rules: It refers to the plan that tells us what is to be done and what is not to be done in a particular situation. Rule is defined as a prescriptive directive to people on their conduct and action. Rules are almost in the nature of commandments seeking to discipline, structure and restrain behaviour and task performance of people in formal organisational settings. A rule is the nature of a decision made by the management regarding what is to be done and what is not to be done in

a given situation. According to Koontz and O'Donnell "A rule requires that a specific and definite action be taken or not taken with respect to a situation.

6.   Strategy: Strategy is a special kind of plan formulated in order to meet the challenge of the policies of competitors. This type of plan uses the competitors plans as the background. It may also be shaped by the general forces operating in an industry and the economy. According to Haimann "Strategy is an interpretative policy.... It is a policy that has been formulated by the top management for the purpose of interpreting and shaping the meaning of other policies". If a firm decides upon the strategy of concentrating upon a certain part of the market with the object of creating a niche for it self, this strategy will shape all its other policies. A perfect strategy can be built only on prefect knowledge of the plans of others in the industry. This may be done by the management of a firm putting itself in the place of a rival firm and trying to estimate their plans.

7.   Methods: Method is a prescribed process in which a particular operation of task is to be performed. It specifies the 'one best way' of performing each step in task. It defines the technology of individual operations in the work situation. As compared to procedure, method describes how are particular steps of a procedure to be performed. Method involves only one department and one person. A method is meant to give complete guidance to individual in their performance of task. The most important advantage of F.W. Tailor's scientific management movement was the determination of standardized, simplified and efficient methods of performing physical tasks by operatives. In modern organisation & methods (O & M) area of activity much attention is devoted to develop and refine methods of carrying our managerial tasks.

B.   Special or single use or Adhoc plans : Special or single use plans are devised to meet the demands of a particular situation and are not meant to serve as standing guides to thinking and action. The various ad-hoc plans may be classified and enumerated as under:

1.   **Programme :** Programme is a plan that covers large organisational activities. Programme is a combination of policies, procedures, rules, budgets, task assignment etc. for the specific purpose of carrying out a particular course of action. It is designated as single use plan because a programme can not be used in the same form again once its objective is achieved. Programme may be major or minor one, a long term one or a medium or short term one. According to Newman and Summer- There are six steps in programming.

> (a)   Determining different activities in order to achieve the objectives of the programme.
>
> (b)   Fixing the sequence of these activities.
>
> (c)   Telling different officers as to what they are to do.
>
> (d)   Fixing time to be consumed in each activity.
>
> (e)   Making available the necessary resources and
>
> (f)   Fixing date for the completion of each activity.

2.   **Budget:** Budget is the quantitative expression of the plan of action. According to Koontz and O' Donnell "A Budget as a plan is a statement of expected results expressed in numerical terms" It may be prepared in terms of money, materials, time or other units required to perform work and accomplish specified result. The preparation of budget is planning. Budget plays a dual role : it is a planning instrument on the one hand and a control device on the other hand. Budgeting actually provides a means for controlling operations. Usually there is a separate budget for each unit and a master budget for a entire organisation. It can set standards of performance so very necessary for the control process.

3.   **Project:** A project is a part of general programme which has distinct objective and is planned and executed separately within a definite period. A major programme can be subdivided into a number of projects each with a clear cut objective, distinct resources and personnel and definite time limits. Project approach is needed when :

(a)   The work to be done is special requiring expertise from different departments.

(b)   The work is very complex.

(c)   High cost is involved .

(d)   Errors and omissions are to be minimised, and

(e)   'One shot' and time bound activities are needed.

4.   Schedules: It is a process of establishing a time sequence for the work to be done. It is an essential part of an action plan. Schedules prescribe the exact time when each step would begin and when it would terminate. When the task to be done and the persons who must do them are ascertained the only important thing attracting the attention of the management is scheduling.

5.4   PLANNING PROCESS

'If you fail to plan, you plan to fail' so it is very difficult to prescribe a fixed process of planning for all types of organisations. According to Dr. S.C. Saxena, the planning process or steps involved in planning are as below:

- **Analysis of External Environment :** Before doing actual planning the management must carefully analyse external environment (Socio-Economic, Political Condition, Social aspirations and expectations of the people, market conditions, etc) prevailing in the country. It is actually a preceding process of actual planning and therefore it can not strictly be called as a part of the planning process. However awareness of such factors is very important for subsequent planning process.

- **Analysis of Internal Environment :** An objective self analysis of the resources of the organisation is also an important pre condition before actual planning. Plans, policies, strategies, budgets etc. are to be adjusted according to internal resources of the organisation. The following questions may be asked while analysing the internal environment :

o   Do we have enough resources of 5m (Men, Money, Material, Methods, Machines)?

o   Do we have aggressive or defensive competition?

o   Do we have update plant, equipment and work environment.

o   Do we have effective system of communication?

o   Is the employee morale high?

o   Is our managerial leadership effective?

Such an analysis will give an exact idea about the strengths and weaknesses of the organisation.

- **Define the Organisation Mission:** After analysing the external and internal environment the organisations executive should define the firm mission. The statement relating to the 'Mission' should describe the basic reason for the existence of an organisation. It may cover up answers to the following basic questions.

o   What is our business?

o   What will our business be?

o   What should our business be?

o   Who are our customers?

o   What do they buy and why?

o   What are our social obligations?

Statement of 'Mission' provides the best climate for successful business planning.

- **Determination of Objectives :** The next step in planning is a statement of the objectives to be achieved by the organisation. The organisational objectives must be spelled out in key areas of operations and should be divided according to various departments and sections. The objectives must be clearly specified and measurable as far as possible. Every member of the organisation should be familiar with its objectives. Objectives indicate what basically is to be done, where the primary emphasis is to be placed and what is to be accomplished by the network of policies, procedures, rules, budgets programmes and strategies.

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- **Forecasting planning premises :** All managerial plans are based on certain assumptions which may be called planning premises. Such premises constitute the ground on which plans will stand. The suitability of the plans will depend upon the extent to which the management is able to formulate the premises correctly and realistically. If the premises of plans change, the plans too will have to be modified. Business planning premises may be classified as:

    (a) **Non controllable premises :** These are assumptions about the economy, the political situations, the tastes of people and such other factors as cannot be influenced and controlled through management policies and decisions. Even though the management cannot do any thing about these factors it must take them into account while planning for expansion of the existing capacity. It must take into account the fact that the command policy in this regard is becoming increasingly restricted. If such factor is not considered the plans will remain mere wishes.

    (b) **Semi Controllable Premises :** These include assumptions about those factors which are only partially controllable through suitable management policies and decisions but cannot be fully controlled by the management.

    (c) **Controllable Premises :** By out lining its plan the management has also to decide what policies, procedures, rules etc., it will be following over the future period and how these are likely to affect the plans of the organisation.

- **Determining Alternative Course of Action :** It is common experience of all management thinkers that an action can be performed in several ways. But there is a particular way which is most suitable for the enterprise. The management should try to find out these alternatives and examine them carefully in the light of planning premises.

- **Evaluating Alternative Courses :** Having sought out alternative courses and examined their strong and weak points the next step is to evaluate them by weighing the various factors in the light of planning premises

and goals. A number of methods in operations research have been developed to evaluate the various alternatives.

- **Selecting the Best Strategies :** The next step of planning is selecting the course of action. After evaluating the various alternatives the best and fittest alternative is selected. Finding the best way to go there where we want to be is called strategy development.

- **Establishing the Sequence of Activities :** After the best strategy is decided upon the next task is to work out its details, formulate the steps in full sequence, to break it down for each section, for each product and for each month etc. Ultimately the manager will get the final plan of action in concrete terms.

- **Formulation of Strategy :** As earlier mentioned strategies are general programmes of action with an implied commitment of emphasis and resources to achieve a basic mission. They are pattern of major activities and major policies for achieving objectives, conceived and stated in such a way as to give the organisation a unified direction. In other words we can say that in strategic planning we cover all important areas of business activities such as capital, profit, expenditure for growth, organisational structure, managerial philosophy, pricing, leadership in market, personnel, industrial relations, advertising, firms capabilities, research & development, social responsibility of business and similar other topics.

- **Formulation of Functional Plan :** Functional plans relate to each area of operation such as purchase, production, finance, marketing, personnel, research & development etc. These sections will formulate their goals in conformity with the major corporate objectives.

- **Formulation of Action Programmes :** There are three important constituents of an action plan :

o   The time limit of performance.

o   The allocation of tasks to individual employees, and

o   The schedule of work that the functional objectives are achieved within the predetermined period.

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- **Reviewing and Recycling the Planning Process :** Planning action and control are closely related managerial functions. These phases of the management process cannot be completely separated in practice. The systems approach emphasis that through control mechanism these phases should be properly integrated.

  R.K. Singla has mentioned the following ten steps in planning:

o Having perception of opportunities.

o Establishing objectives.

o Determining planning limitations or premises.

o Making a forecast.

o Searching for Alternative Courses

o Evaluating alternatives

o Selecting the best alternative.

o Formulating supporting plans.

o Implementing plans.

o Reviewing plans.

5.5 NATURE OF PLANNING

As has been discussed in preceding section planning involves an attempt on the part of a manager to fix his mind on the course of action that he would adopt for the realisation of organisational objectives. From this the following points emerge highlighting the nature of planning.

o Planning is goal oriented.

o Planning pervades all managerial activity

o Planning is directed towards efficiency, economy and accuracy.

o Planning creates coordination.

o A planner can not over look the critical factors of business.

o Planning is flexible.

o Planning is the primary function of management.

o   Planning is all pervasive.

Planning is selection of the best alternative.

5.6   SETTING OBJECTIVES

Objectives are essential in management. They determine the shape of future events in the business. By establishing goals and aims, objectives provide the spotlight over the routes along which activities are to be organised and efforts are to be directed. Objectives help to secure a clear vision, a singleness of purpose and a unifying spirit in accomplishing the end results of the organisation. Objectives form the core of business planning and provide the following benefits. (a) Unity of planning, (b) Means of decentralization, (c) Facility of coordination, (d) Stimulant to individual motivation and (e) Basis for control. Objectives are needed in every area where performance and result directly and vitally affect the survival and prosperity of the business. Every rational human activity must have some objective without which it can not be deemed as rational. According to Prof. J.K. Jain, objectives are classified as below:

- **Organisational and Departmental Objectives :** Organisational objectives are set for the organisation as a whole. Organisational objectives are broad in scope, wide in character and are applicable throughout the organisation; while departmental objectives are set for a particular department, say for production, sales or finance department. The departmental objectives weld the organisation in to a strong entity, increase the interest and morals of the employees and provide the necessary guidance to all the workers of the organisation.

- **Tangible and Intangible Objectives :** The goal of manufacturing 50 table per day is a tangible objective, but developing effective personnel policy is an intangible objective. Tangible objectives are easily identifiable and subject to exact measurement. But measurement or evaluation of intangible objectives is highly problematic. Organisations generally have both objectives or as there is hierarchy

or series of objectives some of them are tangible and others are not so tangible.

- **Long Range and Short Range Objectives :** Long range objectives are those which have to be achieved over a fairly long period, while short range objectives are to be achieved over a short period. The precise period of long range and short range objectives depends upon the nature of the objectives. Survival and growth may be considered for long range objectives while maximization of sales and profits may be considered for short range objectives.

- **Idealistic and Realistic Objectives :** The idealistic objectives are those which indicate the ideal state of future affairs. Such objectives are above the normal expectations but management sets the ideal objectives to induce people to achieve them. The realistic objectives are normally expected to be achieved by the organisation under normal conditions.

- **Economic and Non Economic Objectives :** Economic objectives mainly relate to the maximisation of wealth and profit and therefore may be expressed in terms of cost, profit, sales, investment etc. whereas non economic objectives may be of social and psychological nature. These objectives relate to the welfare of the society at large and may be expressed in terms of optimum utilisation of national resources, generating employment opportunities, specifying standards of safety, social welfare, public health and so on. Business organisations have to keep several objectives in their view.

- **Deterministic and Constraint Objectives :** Deterministic objectives as the term implies specify the end or direction towards which the organisation applies its efforts and which can be fairly determined. Constraint objectives on the other hand specify the condition under which an organisation will be permitted to operate.

The advantage in having a clear cut objective of business is that it does not derail the organisation, does not stray from the direct route that it has set for itself. Organisation with well defined objectives can conveniently undertake research and follow long range development policies. Recognition of objectives removes the temptation to compromise on long range objectives

for short term gains and improves co-ordination in work and consistency in policy. A business organisation is nothing but a community of human beings. As such its performance is really the performance of human beings. According to the canon of prudence, the performance of all human beings in a business organisation must be towards the same objective. In case of varying objectives they cannot hit at the target. All of them must have common goals, common beliefs, common principles and common methodology. Then and then only can the organisation achieve its ultimate objective and work as a smooth organ of society. Carefully formulated objectives provide direction to policy framers and help the management in decision making.

The socio-economic and political circumstance of a region or country considerably affect the objectives of a particular business organisation. So each business organisation should set its objectives keeping in view the overall political and economic structure of the society in which it functions.

5.7 CONCEPT AND PROCESS OF MANAGEMENT BY OBJECTIVES (M.B.O)

The well know American management consultant Mr. Raymond G. Leon in his popular Book captioned 'Manage more doing less' has outlined the emerging concepts of 'Management by objectives' for getting results through people.

The concept of management by objectives was first developed by Peter F. Drucker in 1954. Later on it was popularised by 'George Odiorne' in America. They describes this as a system wherein the superior and the subordinate managers of an organisation jointly identify its common goals, define each individuals majors areas of responsibility in terms of the result expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members.

Prof. Reddin defines M.B.O. as "The establishment of effectiveness standards for managerial positions and the periodic conversion of those into measurable time bound objectives linked vertically and horizontally and with future planning".

Management by objectives is a system of management involving effective participation and involvement by each member of the organisation. The discipline of M.B.O. makes each individual output centrice, result oriented, optimally-committed and achievement-motivated. What the business organisation needs is a principle of management that will give full scope to individual strength and responsibility and at the same time give common direction of vision and effort, establish team work and harmonizes the goals of the individual with the common goal. According to Peter F. Drucker "Business performance requires that each job be directed towards the objective of the whole business".

S.K. Chakravarty defines management by objective as result centered, operational managerial process for effective utilisation of physical and human resources of the organisation by integrating the individual with the organisation and organisation with the environment."

5.7.1 STEPS of MBO:

In any system of M.B.O., certain basic steps have to be taken by the management which may be mentioned below:

Organisational Objective Setting

↓

Determination of Key Result Areas

↓

Subordinates Objective Setting

↓

Matching Objectives and Resources

↓

Periodic Meetings

↓

Final performance Appraisal

5.7.2 ESSENTIAL FEATURES OF MBO:

Some basic features of management by objectives may be summed up as under:-

- All business activities are goal oriented.

- Integration among organisational, departmental and personal objectives.

- Management by objectives is a participative attempt.

- Management by objectives views organisation as a dynamic entity.

- Management by objectives matches the objectives and resources.

- Management by objectives gives more weightage to review and performance appraisal.

- Management by objectives gives more weightage to result and not to work methods.

- Management by objectives provides more freedom to subordinates.

    Management by objectives is a philosophy and not a technique.

5.7.3 BENEFITS OF MBO:

Some of the main benefits of management by objectives may be mentioned as :

- Management by objectives force the attention of the management on basic questions relating to the objectives of the organisation.

- It helps the management to cope with the changes in the environment by compelling them to review their objective against the needs of the environment.

- It relates to the fixation of definite and in most cases quantified objectives from the corporate level to the level of individual.

- It creates a sense of involvement on the part of the subordinates and paves the way for improved performance.

- It provides definite performance standards for a just and meaningful appraisal of the contributions of different units and executives.

5.8   SUMMARY

Plan is to look ahead and chart out the future course of operations. It is the determinant of a course of action to achieve a desired result.

Since planning involves identification of alternatives and selection from alternatives it may rightly be described as the most basic function of management. Managerial planning embraces the standing plans, single use plans, and objectives. The term management by objectives (M.B.O.) has been used in management literature for at least six decades as a tool of appraising managerial performance and as a planning and control device.

5.9 KEY WORDS

- **Encompasses:-**   Encircle or envelop.
- **Standing Plan:-**   Repeatedly used plans.
- **Premise :**   Statement on which reasoning is based.
- **Expeditious:**   Prompt and efficient.
- **Streamlining :**   Make more efficient and effective.
- **Accomplished :**   Completed or finished
- **Niche :**   1. a recess in a wall

    2. a comfortable position in life or employment.
- **Mission :**   Aim
- **Strategy :**   The skill of planning operation.
- **Idealistic :**   Pertaining to ideals

5.10 Important QUESTIONS

1.   "Planning involves the development of objectives, policies, procedures, programmes, schedules and budgets." Explain.

2.   What can be the various types of plans in an organisation? Explain.

3.   What do you understand by "Management by objectives"? Discuss its features and process.

4.   What is planning. Discuss in brief the steps involved in planning process.

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UNIT-6 NATURE AND PURPOSE OF STRATEGIES AND POLICIES

Unit Structure

6.0   INTRODUCTION

The Term 'Strategy' has been derived from the Greek word 'Strategos' which means the art of military operations i.e. generalship. In fact the term has been borrowed from military literature where it implies the art of directing military operations to win the battle. In business parlance the word strategy means a well planned course of action to achieve the desired objective. Business organizations adopt different course of strategies to take advantages of opportunities provided and threats posed by new developments. For example Govt. of India has adopted the strategy of disinvestments in public enterprises on the one

hand and finding resources for financing developmental expenditure on the other. Similarly a business organisation may choose a course of action i.e. strategy to face competition from multinational companies in the industry. According to Hunger and Wheeler "Strategy formulation is the development of long range plans for effective management of environmental opportunities and threats in light of corporate strengths and weakness". Thus corporate planning strategy includes defining the corporate mission, specifying achievable objectives, developing strategies and setting policy guidelines.

In the previous unit policies were described. But in brief we can say that policies are general statements or understanding which guide thinking and action in decision making. They serve as guidelines between which the decision maker are expected to operate while thinking and taking decision in the course of a firms operations. A policy is a continuing decision in as much as it remains in force and provides the answer to problems of a certain type, till it is changed for some reason. In adopting a policy the management chooses a line of action along which the managers and subordinates are expected to move in order to reach the goals of the organisation.

6.1   Objectives

After studying this chapter you should be able to:

*   To Know the Strategy and Policy.

*   To Know the Nature and Purpose of Strategies and Policies

*   To Understand the SWOT Analysis.

*   To Understand the Portfolio Matrix.

*   To Understand the Premising and Forecasting.

6.2   NATURE AND PURPOSE OF STRATEGY

Strategy is the determination of the basic long term goals and objectives of business organisation and the adoption of courses of action and the allocation of resources to carry out these goals. The nature of strategy are outlined below:

- Strategy is a planned course of action to achieve the desired objectives.

- It relates the business organisation to its environment.

- It is the right combination of different factors.

- It may need contradictory action.

- It is forward looking.

- It is a means of coping with the events and changes in the external environment.

- It is generally long range in nature but short range moves are also specified in it.

- It is flexible and dynamic.

- It involves assumption of certain calculated risks.

- It is generally meant to cope with competitive setting in which the behaviour of competitors and other adversaries of the organisation affects its own functioning and performance.

- Strategy is ordinarily formulated by top management. However specialists from outside may be associated.

- Last but not the least strategy is goal oriented.

6.3   NATURE AND PURPOSE OF POLICY

Policies as standing instructional devices play a significant role in a business organisation. The following points are noteworthy.

An effective policy possesses the following features :

- Policy tries to contribute to the organisational objectives.

- Policy is formulated through various steps in the decision making process.

- Policy can be interpreted from the behaviour of the top level management.

- Policy provides guide lines to the employees of organisation for choosing a particular course of action.

- Policy making is the task of all level managers.

- A good policy must be flexible in its implementation.

- A policy should be uniform in its application, it must be fair to all, offering equity and justice to those who are affected by it.

- Policies should be periodically reviewed and revised to avoid organisational complacency and managerial stagnation in view of new requirement and changes.

6.4   STRATEGY PROCESS

A perfect strategy can be built only on perfect knowledge of the plans of others in the industry. This may be done by the management putting itself in the position of a rival and then try to estimate their plans.

There are three phases in strategy formulation.

- Determination of objectives.

- Ascertaining the specific areas of strengths and weakness in the external and internal environment and

- Preparing the action plan to achieve the objectives in the light of environmental forces.

The following factors will determine the right strategy decisions:

- It must be appropriate in the light of available resources.

- It must be workable.

- It must involve acceptable risks.

- The timing of the action plan must be appropriate.

- The action plan must be based on reliable anticipations of future trends and conditions.

- There should be a perfect coordination between the objectives and strategies.

- Strategies must fulfill ethical and social responsibilities.

Since a business strategy is a pragmatic plan of action to achieve desired objectives there is an ever present need to measure its

appropriateness. 'Seymour tiles' offers six criteria for evaluating the appropriateness of a business strategy.

A. **Internal Consistency:** Strategy of an organisation must be consistent with its other plans and also its goals. Serious internal inconsistency in business strategy is bound to give birth to problems in the course of its implementation.

B. **Consistency with the environment**: Strategy must be consistent with the external environment. It has both state and dynamic aspects. In a static sense, it implies judging the strategy with its suitability to the existing environment. In a dynamic sense it implies judging the efficacy of strategy with the changing environment. The strategy selected should enhance the confidence and capability of the organisation to manage and adopt with or gain command over the environmental forces.

C. **Appropriation in the light of available resources:** Strategy needs a realistic assessment of the resources of the organisation - money, materials, men, both existing resources as also the resources, the organisation can command. The resources of an organisation also include the skills of management and other manpower, command over sources of scarce raw materials, production facilities, technology, marketing capabilities and image and so on. It is advisable that the individual or overstrained on the one hand and to utilise the existing resources in the best possible manner on the other.

D. **Acceptable degree of risk**: Strategy carries with it certain elements of risk and uncertainty because it covers a relatively longer future horizon and because it seeks to cope with a complex environment. The amount to risk inherent in a strategy should be within the bearable capability of the organisation. Resource should not be committed irrevocably, nor should they be concentrated on a single or narrow range of ventures. Also there should be match between risk and returns financial and otherwise.

E. **Appropriate time horizon:** This is the essence of any strategy. A good strategy not only provides what objectives would be achieved, it also indicates when those objectives would be achieved. In selecting an appropriate time horizon, the organisation must pay careful attention to the goals being pursued. An optimal time span can not be mathematically determined, it is a matter of environmental conditions, the objectives to be sought and the judgement of the management.

F. **Workability:** Last but the not least, the strategy must have enough degree of workability. It must be feasible and should produce the desired results within the constraints and parameters known to the management. It must be realistic and relatively simple and intelligible at the level of interpretation and implementation.

6.5 POLICY PROCESS

According to Prof J.K. Jain 'A policy may be defined as a basic statement serving as a guide for administrative action. They are general statements and understandings which guide decision making of executives and action of subordinates in the various departments of an organisation'. The development of a sound policy involves the following process.

- Policy Formation: The responsibility of policy formation normally lies with the top management. Before a specific policy is formulated it is necessary to study and analyze all relevant factors to determine the wisdom and exact nature of the policy. The top management should take staff assistance and cooperation in collecting and analysing facts required to establish a policy. The ideas, suggestions, opinions and discussions should be invited from the staff and other members of the organisation before finalizing a policy. All internal factors like existing laws, policies of similar concerns, expected reaction of labour unions and the public, community custom etc. should be duly considered in advance. The proposed policy should also be evaluated in terms of their contribution to overall objectives, degree of difficulty in

implementation and impact on organizations image. An organisation is known in society through its policies.

- Policy Communication: After making policies they must be communicated to all concerned people. Policy manuals, organisation hand books, written memorandum circulars, letter and announcements are generally pressed in to service in order to disseminate the policy.

- Policy Application: Policies should consistently and scrupulously be applied, but at the same time some flexibility be also provided. A rigid policy may fail to recognize and cope with a special need. Flexibility and consistency are irreconcilable but careful administration may take advantage of both.

- Policy Review and Appraisal: In a highly dynamic and turbulent political, social and business environment policies easily become redundant. In order to cope with these changes, periodic review of these policies is necessary. Maintaining status quo by retaining out model policies is most unfortunate. It is therefore necessary to carefully review the policies from time to time and replace and modify them according to the changed needs and circumstances.

Some basic principles in policy making that should help the management may be summed up as under:-

- Policies should be clear, unambiguous, positive and definite.

- Policies must be reasonably stable.

- Modification of policies to meet changes in situations should be made only after proper thought and consideration. These must be communicated to all concerned without favour.

- Policy should not lay down detailed procedures. These should be in the form of general guidelines.

- Policy should be so communicated as to be fully understood by those responsible for their implementation.

- As far as possible clarity should not be sacrificed at any cost.

6.6   DISTINCTION BETWEEN STRATEGY AND POLICY

Strategy relates to the direction in which human and physical resources are to be used in order to maximise the change of achieving a selected mission in the face of competition and other hurdles, while policy is guide to thinking and action of those who make decisions. Secondly strategy is rule for making decision whereas policy is a contingent decision. Thirdly, implementation of policy can be delegated downwards in the organisation whereas strategy cannot be delegated since it requires last minute executive decision.

6.7   S.W.O.T. ANALYSIS

The term S.W.O.T. stand for

S = Strengths

W = Weaknesses

O = Opportunities

T = Threats

S.W.O.T. is the acronym for strengths, weaknesses, opportunities and threats. The effective strategy can be planned if threats and opportunities are considered in the light of strengths and weaknesses existing in the organisation. This will enable the management to maximise the gain from the opportunities and minimise the risk posed by threats. Hence SWOT analysis is undertaken. It is a technique with environmental opportunities and threats. In fact SWOT analysis enables an organisation to use its strengths to exploit the opportunities by environment where as threats of environment are neturalised by reducing its weakness to the minimum level. SWOT can thus be used take a broader view of strategy through the formula-

SA = O/SW

where:

SA = 1 Strategic Alternatives

O = Opportunities

S = Strengths

W = Weaknesses

First of all the group discusses the strength which exist in given situation the list of such strengths is prepared and some discussion will take place regarding these strengths. In this process we just identify and list the strengths.

After listing the strength we proceed to list the weaknesses. To identify the weaknesses is as important as strengths because a number of potential opportunities are identified which emerge out of weaknesses.

Next step is to generate the comprehensive list of opportunities. Opportunities might be gathered by considering each of the strengths and then each of the weaknesses.

The next stage of the SWOT analysis is the threats stage. It can be divided into two parts. One is if we do nothing and there will be a number of potential threats which could materialise if no action is taken. In this case it might include threats such as a major competitor could introduce a new product line since it may reduce our market share substantially. On the other hand threats can also be considered from the perspective that threats could even materialise if no action is taken or if we take action based on any of the opportunities previously listed.

Strengths and Weaknesses Profile:

I.   Strengths:

1.   Highly experienced and capable top management.

2.   Highly progressive and liberal top management.

3.   Highly social obligations conscious top management.

4.   Development oriented organisation culture.

5.   Efficient corporate planning system.

6.   Efficient management of organisational change.

7.   Achievement oriented control and planning system.

II.   Weaknesses:

1.   Lack of coordination

2.   Lack of team sprit

3.   Lack of Initiative

4.   Management plagued by infighting

5.   Autocratic management

6.   Weak middle management cadre.

6.8   PORT FOLIO MATRIX

Port folio matrix or framework was advocated by the 'Boston Consulting Group' so this matrix also know as the BCG matrix.

Corporate portfolio analysis is defined as a set of techniques that help strategists in taking strategic decisions with regard to individual products or business in a firms portfolio. It is primarily used for competitive analysis and corporate strategic planning in multi product and multi business firms. They may also be used in less diversified firms, if these consist of a main business and other minor complementary interests. For instance a diversified company may decide to divert resources from its cash rich businesses to the more prospective ones which hold the promise of a faster growth so that the company can achieve its corporate level objectives in a optimal manner. The B.C.G. matrix provides a Graphic representation for an organisation to examine the different businesses in its portfolio on the basis of their relative market share and industry. Growth rate as shown in the exhibit, could be classified on the B.C.G. matrix as either low or high according to their industry growth rate and relative market share. The vertical axis denotes the rate of growth in sales in percentage for a particular industry. The horizontal axis represents the relative market share, which is the ratio of a company's sales to the sales of the industry's largest competitor or market leader. The low and High Market shares are separated by a vertical line set at 1.0. This means that a company would have a relative market share of less than 1.0 if it does not have the largest share. A relative market share of more than 1.0 would occur for companies that are the largest sellers in their various industries. Still in order to get the maximum benefit out of the experience curve the BCG matrix indicates

that it is necessary to be the market leader. The four cells of B.C.G. matrix have been termed as stars, cash lows, question mark and dogs. Each of these cells represents a particular type of business.

A Port folio (B.C.G.) Matrix

Industry Growth Rate			
High	Stars		Questions Marks
20%			
15%			
10%			
5%	Cash lows		Dogs
Low			

Relative Market Share

- **Stars:** Stars are high growth high market share business which may or may not be self sufficient in terms of cash flow. This cell corresponds closely to the growth phase of the product life cycle. A company generally pursues an expansion strategy to establish a strong competitive position with regard to a star business.

- **Cash Cows:** As the term indicates, cash cows are businesses which generate large amount of cash but their rate of growth is slow. In terms of product life cycle, these are generally mature businesses which are reaping the benefits of the experience curve. The cash generation exceeds the reinvestment that could profitably be made into 'cash cows'. These businesses can adopt mainly stability strategies. Where long term prospects are exceptionally bright limited expansion could be adopted.

- **Question Marks:** Businesses with the high industry growth but low market share for a company are 'Question Marks. They require large amounts of dictates that the company obtaining an early lead can expect cost advantages and market leadership and can successfully create entry barriers. No single set of strategies can be recommended here. If the company feels that it can a obtain a dominant market share, it may select expansion strategies, otherwise retrenchment may be a more realistic alternative.

'Question Mark' therefore may become stars if enough investment is made or they may becomes 'dogs' if ignored.

- **Dogs :** Those business which are related to slow growth industries and where a company has, low relative market share are termed as 'Dogs'. They neither generate nor require large amounts of cash. In terms of product life cycle, 'Dogs' are usually products in late maturity or a declining stage. The experience curve for the company shows that it faces cost disadvantages owing to a low market share. The only possibility for the company could be to gain market share at the expense of rival firms, a possibility that is remote owing to the high costs involved. So retrenchment strategies are normally suggested.

6.9 PREMISING

All managerial plans are based on certain assumptions which may be called planning premises. Such premises constitute the ground on which plans will stand. The suitability of the plans will depend upon the extent to which the management is able to formulate the premises correctly and realistically. If the premises of plans change, the plans too will have to be modified. Business planning premises may be classified as:

(a) **Non controllable premises :** These are assumptions about the economy, the political situations. The tastes of people and such other factors as cannot be influenced and controlled through management policies and decisions. Even though the management can not do any thing about these factors it must take them in to account while planning for expansion of the existing capacities. It must take in to account the fact that the command policy in this regard is becoming increasingly restricted. If such factor is not considered the plans will remain mere wishes.

(b) **Semi Controllable Premises :** These include assumptions about those factors which are only partially controllable through suitable management policies and decisions but can not be fully controlled by the management.

(c) **Controllable Premises :** By outlining its plans the management has also to decide what policies, procedures, rules etc., it will be following over the future period and how these are likely to affect the plans of the organisation.

6.10 FORECASTING

A forecast is a statement about the future. Forecasting is the formal process of predicting the future events which may significantly affect the functioning of an organisation. It implies the act of making a detailed analysis of the future to gain a foresight of back ground situations and latent forces. According to Prof. J.K. Jain "Forecasting is a technique through which future problem and opportunities are recognised and turned into plans of action."

A forecast serves as a basis for planning. Business forecasts are the basis for capacity planning, budgeting, sales planning, production and inventory planning, manpower planning and purchase planning, and more. Forecasts play an important role in the planning process because they enable managers to anticipate the future and to plan accordingly.

Steps in the Forecasting Process: There are five basic steps in the forecasting process:

* Determine the purpose of the forecast and when it will be needed. This will provide an indication of the level of detail required in the forecast, the amount of resources that can be justified, and the level of accuracy necessary.

* Establish a time horizon that the forecast must cover, keeping in mind that accuracy decreases as the length of the forecast period increases.

* Select a forecasting technique.

* Gather and analyse the appropriate data, and then prepare the forecast. Identify any assumptions that are made in conjunction with preparing and using the forecast.

- Monitor the forecast to see if it is performing in a satisfactory manner. If it is not re-examine the method, assumptions, validity of data, and so on, modify as needed and prepare a revised forecast.

    Approaches to Fore casting: Forecast can be obtained using a variety of techniques. The forecasting techniques discussed here into one of the two categories (A) Qualitative Techniques and (b) Quantitative techniques.
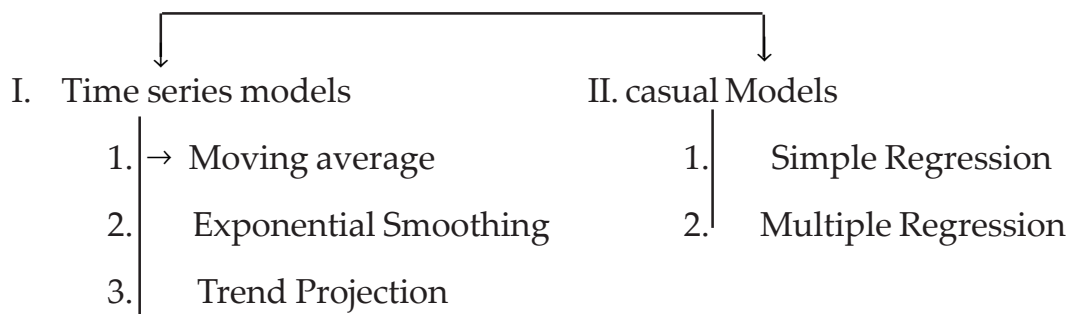
A.   Qualitative Techniques of Forecasting :   The qualitative techniques use personal judgement and involve qualities like institution and experience as the basis of forecasts, and are subjective by their very nature. Among qualitative techniques are forecasts that use:

- **Executive Opinions:** A small group of top level manager may meet and collectively develop a forecast. This approach is often used as a part of long range planning and new product development.

- **Sales Force Composite:** The sales staff is often a good source of information because of its direct contact with consumers. Thus these people are often aware of any plans the customers may be considering for the future.

- **Consumer Surveys:** Some marketing research methods employ consumer panels for making forecasts. Here a consumer panel is maintained and consumers on such a panel are questioned about their purchase plans. The goal here is to forecast demand for products and services on the basis of the subjective judgments of the subject involved, about possible purchase. This method works on a strong assumption that the consumers on the panel are truly representative of the ultimate purchaser.

- **Outside opinion:** Occasionally out side opinion are needed to make a forecast. This may concern advise on political or economic conditions in America or in a foreign country or some other aspect of interest with which an organisation lacks familiarly.

- **Opinions of Managers and Staff (Delphi Method) :** A manager may use staff to generate a forecast or to provide several

forecasting alternatives from which to choose. At other times a manager may solicit opinions from a number of other managers and staff people. Perhaps the most important method of forecasting involving judgments is called the Delphi method. It involves circulating a series of questionnaires among those individuals who possess the knowledge and ability to contribute meaningfully. Response are kept anonymous, which tends to encourage honest responses. Each new questionnaire is developed using any information extracted from the previous one, thus enlarging the scope of information on which participants can base their judgments. The goal is to achieve a consensus forecast.

B.   Quantitative Techniques of Forecasting : This method involves either the extension of historical data or development of associative models that attempt to utilize causal variables to make a forecast.

Quantitative Techniques or Models

I.   Time series models   II. casual Models

    1. → Moving average   1.   Simple Regression

    2.   Exponential Smoothing   2.   Multiple Regression

    3.   Trend Projection

I.   Time Series Model of Forecasting: A time series is time ordered sequence of observations taken at regular intervals over a period of time. Common examples include measurements of demand, earning, profits, accidents, output precipitation, productivity and the consumer price Index. Forecasting techniques that are based on time series data are predicted on the assumption that future values of the series can be estimated from past values of the series. Analysis of time series data requires the analyst to identify the underlying behaviour of the series. This can often be accomplished by merely plotting the data and visually examining it. On plotting one or more of the following behaviours might

appear : Trend, seasonal variations, cycles, and variation around an average.

1.   **Moving Average:** The method of moving averages attempt to forecast values on the basis of the average of values of past few periods. Successive values are calculated by considering the new value and dropping the old one. To illustrate, a four month moving average is obtained by adding the demand during past four months and dividing the sum by 4 with each passing month the most recent months data are added to the previous three months value, thereby dropping the value of the earliest month.

2.   **Exponential Smoothing:** Where the forecast for the next period is calculated as weighted average of all the previous values it is based on the premise that the most recent value is the most important for predicting the future value. Also it presumes that values prior to the current value are also relevant but in declining importance as we go back in time. The weights decline exponentially as we consider the older value.

3.   **Trend projections:** In this method a trend line is filled to the given time series data and then projections are made into future using this line. The trend line may be linear or curri-linear in nature. For obtaining the trend line the given historical data are plotted on the graph. The trend line is drawn on the basis of the principle of least squares.

$$Y_1 = a + bx$$

Where : Y_1 = The Trend value

a = The y - axis intercept

b = Slope of the trend line

x = The independent variable, the time

II.   **Causal Models:** The causal models are used where one variables is related to and, therefore, dependent upon the values of some other variables. The demand for a product may for example be seen to be dependent upon the price charged, amount spent on advertisement, incomes of the people and so on. The analysis is done in terms of what is called as regression analysis.

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1.   Simple regression analysis: The simple regression analysis is employed where there is one independent variable. Here an estimate of the dependent variable is made corresponding to a given value of the independent variable, by the placing the relationship between the two variables in the form of a regression line. The regression line is obtained on the basis of the given data, involving paired observations of the x and y variables. For this purpose the given paired data are plotted on a graph by means of point. The line is obtained on the basis of the principle of least squares, discussed earlier in this chapter. The regression line represented by the following equation.

$$Yc = a + bx$$

Where : Yc = The Predicted value of the dependent variable

a = Y Intercept of the regression Line.

b = Slope of the regression Line

x = The independent variable.

As in case of trend line the values of a and b are obtained as follows:-

2.   Multiple regression analysis : The multiple regression is an extension of the simple regression analysis and it allows to build a model with more than one independent variable. The issue involved in multiple regression analysis are many and mathematics involved in rigorous, specially when more than two variables are involved. We state here the case which has two independent variables. A two variable regression equation is

$$Yc = a + b_1 x_1 + b_2 x_2$$

The parameters a, b_1, and b_2 are obtained by solving the following three equation simultaneously :

$$\sum y = na + b_1 \ x_{-1} + b_2 \ x_2$$

$$x_1 y = a \ x_1 + b_1 \ x^2_1 + b_2 \ x_1 x_2$$

$$x_2 y = a \ x_2 + b_1 \ x_1 x_2 + b_2 \ x^2_2$$

6.11 SUMMARY

Strategies are plans which takes into account the environmental opportunities and threats and the organisational strengths and weakness and provides an optimal match between organisation and the environment while policies are those general guidelines which are decided for the guidance of the executive while taking decisions. Planning premises provide a basic framework of future environmental factors and forces within which planning will operate. Only a systematic forecasting can provide accurate premises. Despite the fact that accurate premises are vital for successful planning and decision making.

6.12 KEY WORDS

- Strength   -   Quality of Being strong

- Weakness   -   Feeble or Frail, an inherent limitation.

- Opportunity -   Appropriate or Favourable condition

- Threats   -   An unfavourable condition that creates a risk.

- Portfolio   -   A collection of different securities or other assets.

- Anticipation -   Foreseeing.

- Forecasting -   Prediction of future change in a variable.

  Proceeds   -   Amount realized on a transaction.

6.13 IMPORTANT QUESTIONS

1.   Define policies. How do policies differ from strategy?

2.   What is SOWT analysis? Explain its process.

3.   What do you understand by premising? Examine their role in managerial planning.

4.   Examine various techniques of forecasting.

5.   Write short notes on portfolio matrix.

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UNIT-7 DECISION MAKING

Unit Structure

7.0   INTRODUCTION

Decision making is a process of selecting the best course of action from among the alternative course of action. Decisions must be rationally taken after careful analysis of the problem. Rational decision making therefore involves a conscious choice on the part of the managers of a particular course of action out of many available alternatives.

- Koontz and O' Donnell defines "Decision making is the actual selection from among alternatives of a course of action"

- According to George R. Terry "Decision making is the selection based on some criteria from two or more possible alternatives"

- Louis A. Allen observes "Decision making is the work which a manager performs to arrive at conclusion and judgment".

- According to Mcfarland "A decision is an act of choice wherein an executive forms a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from a number of possible alternatives".

Dr. R.K. Singla remarks "Decision making involves the selection of the best available alternatives as a solution of some problem.

The definition of decision making involves the following features:

- Decision making is a process of selecting the best course of action from among the alternative courses of action.

- It is a mental process and requires the application of intellectual abilities.

- It involves rationality.

- It is always related to a situation.

- It involves commitment.

- It is basically a human activity.

- It is both a management function and an organisational process.

- It is the core of planning.

- It may also be negative and may just be a decision not to decide.

- Decision is aimed at achieving the objectives of the organisation.

7.1   OBJECTIVES

- Understand the importance of decision making.

- Understand the steps of decision making process.

- Make decision under various decision making environment.

- Construct decision trees for making accurate decision.

7.2   IMPORTANCE OF DECISION MAKING

'Management minus decision making is nothing' so decision making plays very crucial role in managerial process. As a matter of fact, a manager discharges all his responsibility through taking various decisions. It is the soul of managerial process and the life of a manager is perpetual decision making activity. According to Melvin T. Copeland "Administration essentially is a decision making process and authority is responsibility for making decisions and for ascertaining that the decision made are carried out. In business whether the enterprise be large or small, changes in condition occur, shifts in personnel take place, unforeseen contingencies arise, more over, just to get wheels started and to keep them turning, decisions must be made"

Decision making is the heart of planning, the selection of a suitable course of action. It is an important function of management. Management with out decisions is like a man without backbone. Nothing can be performed without taking decisions. Every aspect of management funtions, such as planning, organisation, motivation, coordination and control is determined by decisions, the result of which is the performance in the organisation.

7.3   STEPS OR PROCESS OF DECISION MAKING

Process of decision making : The decision making process consists of the following steps-

1.   **Defining the problem:** First step of decision making is to determine exactly what the problem is. Writing down the problem in precise terms helps considerably in resolving what one is trying to do. It is aptly remarked that a problem well stated is half solved. Also, knowing exactly what the problem is will help reveal whether it really needs to be resolved. According to Chester I. Barnard, the decision maker should find the critical or strategic factor or factors of the problem, and he would be wise to restrict himself

to these. Bernard is of the opinion that in decision making the analysis required is actually a search of the strategic factor. It is also known as a limiting factor one which stands in the way of accomplishing of desired objective.

2. **Analyzing the problem**: The analysis of the problem is undertaken to find out what information is required and from where it would be available. A clear definition of the problem is helpful in deciding how relevant and how valid certain data are and what additional information is needed for the decision maker. Efforts should be made to gather as much information as possible because incomplete knowledge about the background of the problem and other related facts may lead to wrong decisions. But all the facts relating to a problem cannot be obtained in every case, nor it is required; what is necessary is to know what information is lacking in order to judge how much of a risk the decision involves, as well as the degree of precision and rigidity that the proposed course of action can afford.

3. **Developing alternatives**: Another step in the decision making process is to develop alternative solutions. It is third step of decision making. In fact, the question of decision making does not arise if there is only one way of solving a problem. It is rare that a problem does not have alternative solutions. Even in almost discouraging situations there are several choices. None of the alternatives might be a desirable choice, but the manager still has a choice. The search for alternatives forces the manager to see things from many viewpoints, to study the problems in their true perspectives, and to reach the critical spots of the problems. Unless the manager develops several alternative solutions, he is only too prone to fall into the "either-or" kind of thinking, and his decision is more likely to go wrong.

4. **Evaluating alternatives**: After having developed alternatives, the manager is required to compare and weigh the various pros and cons of each alternative by imagining as if he has already put each

into effect. He has to foresee the probable, desirable and undesirable consequences of adopting each alternative. Only then he can compare the various alternatives.

5. **Selecting the best alternative:** Peter F Drucker has suggested the following four points for picking up the best from among the possible alternatives-

    (i)   Risk: Every alternative carries some risk and offers certain gains, and the manager must compare and weigh the two.

    (ii)   Economy of effort: That line of action should be selected which will give the greatest results with the least effort, and will obtain the desired result with the least necessary disturbance in the organisation.

    (iii) Timing: While selecting a course of action, the urgency of situation must be considered. Thus if the situation has great urgency, preferable course of action is one that dramatises the decision and serves notice on the organisation that something important is happening. If, on the other hand, the situation demands long, consistent effort, a slow start that gathers momentum may be preferable.

    (iv)   Limitations of resources: The usefulness of a decision depends to a large extent on the human beings who will carry out the decision. No decision can be better than the people who have to carry it out. Their vision, competence, skill and understanding determine what they can do- It is, therefore, necessary to consider the limitations of the human resource while selecting an alternative. If a given alternative demands more of these qualities than the managers possess, efforts should made to train the managers, or new managers may be found.

6. **Implementing the decision**: After an alternative has been selected it is put it into action. It is the essence of a manager's decision that

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other people must apply it to make it effective. Thus, a manager's decision is always, a decision concerning what other people should do—it is made effective through the action of other people. To motivate people to take action, what is required is the communication of decision to subordinates, getting acceptance of the decision, and getting their support, co-operation and commitment in converting the decision, into an effective action.

7. **Following up the decision**: This is the final step in decision making process. Under this step follow-up is instituted and, where necessary, the decision is modified in the light of the results obtained. This step is normally covered by the controlling function of management. It is vital to know the results of the decision and the validity of the solution.

According to Stanley Vance, decision-making consists of the following steps:

1. **Perception:** A state of awareness, out of which a consciousness of being arises.

2. **Conception:** That power of the mind which develops ideas out of perceptions. Concepts might be termed as schemes or designs for action.

3. **Investigation** : The search for and the acquisition of information pertinent to specific concepts so that the relative advantages and limitations of alternative courses of action can be compared.

4. **Deliberation:** A mental weighing of relative merits and consequences attached to alternative schemes of action.

5. **Selection** : A discrimination among the available alternatives so that the most desirable course of action is designated as the decision.

6. **Promulgation** : A declaration or public pronouncement of the decision so that all persons concerned are adequately notified.

While the process of thinking involved in any rational analysis generally follows the above pattern, the actual technique of decision-making is much the same as that of planning, of which it is a part.

7.4   TYPES OF DECISIONS

There are various ways of classifying managerial decisions. Some of them are presented below-

1.   Organisational and Personal decisions: Organizational decisions are made by managers in their official or formal roles. Such decisions can be, and frequently are, delegated to subordinates. Such decisions effect the functioning of the organisation directly. On the other hand personal decisions are those taken by managers as individuals. Such decision pertain to the managers' non-official personal life, e.g., decision about career development, training, etc. These decisions cannot be delegated. Further most of these decisions also affect the organisation, as in the case of a director deciding to resign. Though many managers seem to view their personal and organisational decisions separately, the two are so interwoven that it is difficult to separate them.

2.   Basic and routine decisions: Basic decisions are unique one time decisions involving long-range and relatively permanent commitments such as large investment decisions in which a mistake might seriously hurt the organisation. They are of crucial importance and often difficult to decide. On the other hand, routine decisions are routine and repetitive relatively with little deliberation and tend to have only minor effect on the functioning of the organisation.

3.   Strategic and tactical decisions : Peter F. Drucker distinguishes between strategic and tactical decisions. Strategic decision -are made by top management and relate to overall direction of the organisation and resource commitments. Tactical decisions are routine decisions taken in the course of day to day operations of the organisation This classification more or less resembles with earlier classification into basic and routine decisions.

4.   Policy and operative decisions : Policy decisions are of vital importance and are taken by top management. They affect the entire enterprise. In contrast, operative decisions are taken by the lower management to put into action the policy decisions.

5.   **Programmed and non-programmed decisions :** This distinction has been made by Herbert A. Simon. Decisions are programmed to the extent that they are repetitive and routine and to the extent that systematic procedures are devised so that each one does not have to be treated as a unique case. Non-programmed decisions are non-repetitive and basic in nature. They are novel, unstructed, ill-strutured or consequential.

6.   **Individual and group decisions** : As the name suggests, individual decisions are taken by a single individual, whereas group decisions are made by a group of individuals like the Board of Directors, problem-solving groups, management peers, committees, etc.

7.5   TRADITIONAL APPROACH TO DECISION MAKING

When decisions are taken by intuition i.e. without really considering carefully all the alternatives they are called as traditional approach to decision making. Actually many of the decisions taken by most of us are on 'intuition' or 'hunch'. In other words a person just decides upon a course of action because he feels that the particular course is the best one. Scientifically speaking this kind of feeling has no rationale behind it nor can anybody explain why he is feeling that way. The person who makes decisions on the basis of intuition or feeling represents one extreme form of decision making process.

7.6   DECISION MAKING UNDER CERTAINITY

To arrive at a good decision it is required to consider all available data, an exhaustive list of alternatives, knowledge of decision environment and use of appropriate quantitative approach for decision making. In Decision making under certainty the decision maker has a thorough knowledge of the decision making environment. i.e. full knowledge about the future, about the alternatives and about their outcomes. He is just to choose the best alternative under the situation of certainty, in a familiar back ground and under well established practices and policies. State of

certainty sometimes also implies a 'closed system' decision where the decision maker ignores many complexities of the environment simply to stablise the environmental situation for the decision making process. For example the decision to purchase either National Saving Certificate, Kisan Vikas Patra, or deposit in National Savings Scheme is one which it is reasonable because there is no doubt that the Indian Government will pay the interest when it is due and the principal money at maturity. In this decision model only one possible state of nature exists.

7.7 DECISION MAKING UNDER UNCERTAINTY

Under condition of uncertainty, the decision maker faces a situation in which the information is either not available or if available is not reliable. The environmental situation is very fluid and turbulent. The interaction of various variables is complex, their change is rapid and decision maker has no means of having any grasp over them. He is also unable to judge the probability of the success of his decision. There are several different criteria of decision making in this situation. These criteria can be discuss as follows.

- **Laplace Principle :** This principle is based on the simple philosophy that if we are uncertain about the various events then we may treat them as equally probable. As state of nature are mutually exclusive and collectively exhaustive, so the probability of each of these must be 1. The working method is summarized as follows:

  I. Assign equal probability value of each state of nature by using the formula.

      1 No of States of Nature.

  II. Compute the expected payoff for each alternative by adding all the pay offs and dividing by the number of possible states of nature or by applying the formula:

      (Probability of state of nature x Pay off value for the combination of alternative and state of nature).

  III. Select the best expected pay off value.

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- Maximin or Minimax Principle: This principle is adopted by pessimistic decision makers who are conservative in their approach. According to this, the decision maker ensures that he would earn no less than some specified amount. Thus he selects the alternative that represents the maximum of the minima payoff in case of profits. The working method is summarized as follows:

    I. Locate the minimum payoff value in case of loss data corresponding to each alternative. .

    II. Select on Alternative with the best anticipated payoff value.

- Maximax or Minimin Principle: The maximax principle is optimists principle of choice. It suggests that for each strategy the maximum profit should be considered and the strategy with which the highest of these values is associated should be chosen. The optimist obviously desires a chance for the maximum pay off in the decision matrix. The working method is summarized as follows:

    I. Locate the maximum payoff values corresponding to each alternative.

    II. Select an Alternative with best anticipated payoff value.

- Hurwiez Principle: The Hurwiez principle of decision making stipulates that a decision makers view may fall somewhere between the extreme pessimism of the maximin principle and the extreme optimism of the minimax principle. According to this principle the idea of coefficient of optimism (denoted by á) to measure the decision makers degree of optimism. This co-efficient lies between 0 an 1, where 0 represents a complete pessimistic attitude about the future and 1 a complete optimistic attitude about the future. Thus if á is the coefficient of optimism then (1-á) will represent the coefficient of pessimism. The Hurwiez principle suggests that the decision maker must select an alternative that maximizes.

H (Principle of realism) = á (Maximum in column) + (1-á) (Minimum in column)

The working method is summarized as follows.

I.   Decide the coefficient of optimism á and then coefficient of pessimism (1-á).

II.   For each alternative select the largest and lowest payoff value and multiply these with á and (1-á) values, respectively. Then calculate weighted average 'H' by using above formula.

III. Select an alternative with best anticipated weighted average payoff value.

- **Savage Principle :** The savage principle is also known as opportunity loss decision criterion or minimax regret decision. This is because decision maker regrets the fact that he adopted a wrong course of action, resulting in an opportunity loss of payoff. Thus he always intends to minimise this regret. The working method is summarized as follows:

I.   Form the given payoff matrix, develop an opportunity loss matrix as follows:

a.   Find the best payoff corresponding to each state of Nature.

b.   Subtract all other entries in that row from this value.

II.   For each course of action identify the maximum regret value. Record this number in a new row.

III. Select the course of action with the smallest anticipated opportunity loss value.

7.8   DECISION TREE

A decision tree is a schematic representation of the alternatives available to a decision maker and their possible consequence. The term gets its name from the tree like appearance of the diagram. Although tree diagrams can be used in place of a payoff table, they are particularly useful for anlyzing situations that involve sequential decisions. For instance, a manager may initially decide to build a small facility only to

discover that demand is much higher than anticipated. In this case the manager may then be called upon to make a second decision on whether to expend or build an additional facility.

State of Nature 5 ——————————— Payoff 1

Payoff 2

Choose A$_1$

State of Nature 2 ↑ 2

1 Initial Decision   Possible   Choose A$_2$ Payoff 3

Second   Choose A$_3$ Payoff 4

Decision

3

Choose A$_2$

Choose A$_4$ Payoff 5

State of Nature 2 ——————— Payoff 6
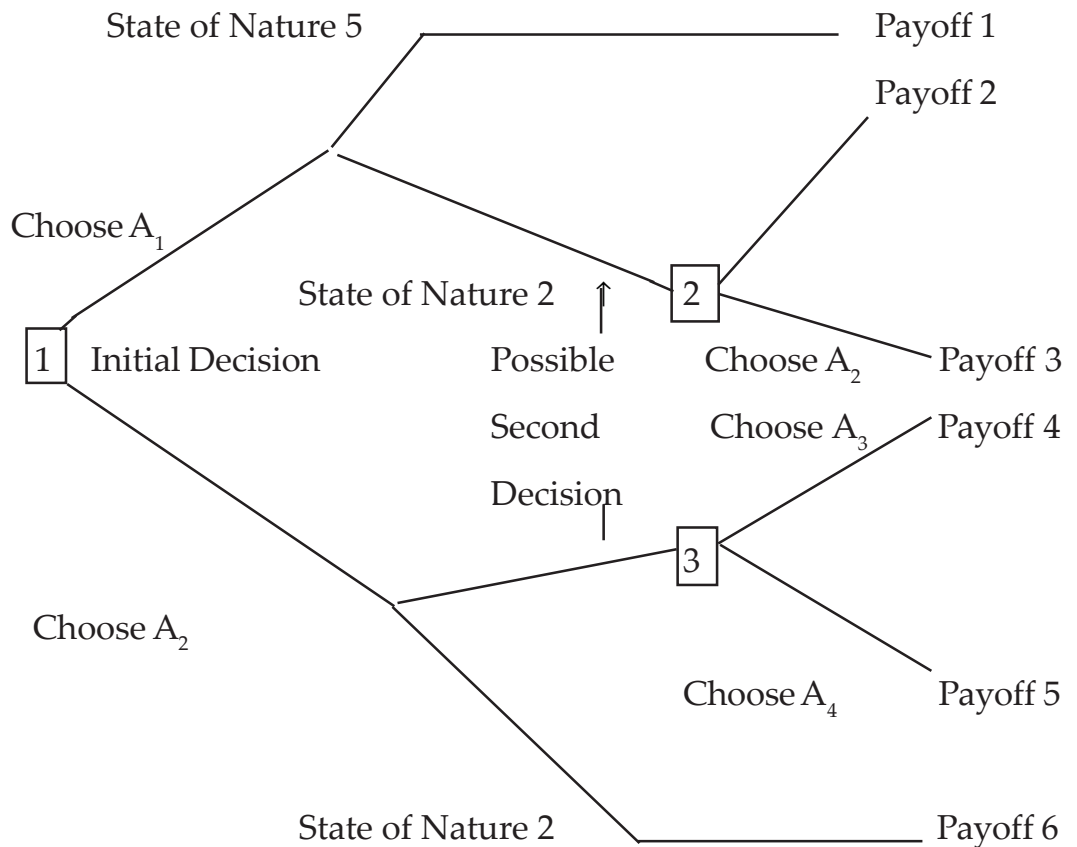
▯ Decision Point   • Chance Point

A decision three is composed of number of nodes that have branches emanating from them. Square nodes are used to denote decision points and circular nodes are used to denote chance events. The tree is read from left to right. Branches leaving square node represents alternatives Branch leaving circular nodes represents chance events (i.e. the possible states of nature). After the tree has been drawn it is analyzed from right to left (i.e. starting with last decision that might be made) For each decision choose the alternative that will yield the greatest return. If chance events follow a decision, choose the alternative that has the highest expected monetary value.

Although decision tree is simple in essence, yet it may get complex

in application. The main difficulty in analysing decision three is that even with simple two or three branch forks, the tree can be quite complex, it may turn into a bush. Secondly there is often inconsistency in assigning probabilities for different events. Not withstanding these limitations a decision tree offers a solution of the decision situation better than any other technique.

7.9 SUMMARY

Decision making is an important functions of management. Successful decision making comprise a number of steps as : Identification of states of nature, course of action and payoff function depicting consequences resulting from their interaction and then choosing the appropriate action on the basis of some given principle. In addition to payoffs the outcome of event action combination can also be expressed in terms of regret. The decision tree approach to decision making is used in situation where multistage decisions are needed. The sequences of action events combinations available to the decision maker are presented graphically in the form of a decision tree. In analysing such situation alternatives are evaluated by proceeding in a backward manner by evaluating the best course at later stages to decide the best action at the earlier stage.

7.10 KEY WORDS

- Rationale   -   A Reasoned exposition or sensible

- Alternative   -   Interchanged repeatedly one for another.

- Commitment -   Promise

- Perpetual   -   Continuing or enduring for ever.

- Intuition   -   Instinctive

- Pessimist   -   One who habitually sees or anticipates the worst.

- Optimist   -   Person who looks upon the bright side of thing.

7.11 IMPORTANT QUESTION

1. What do you understand by decision making? Explain the characteristics of Decision making.

2. Discuss various steps of decision making process.

3. Describe the techniques of decision making.

4. What is decision tree? How and under what type of situations are they employed for decision making?

5. Define decision making and discuss the various types of business decisions.

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Unit 8   BRAIN STORMING

Unit Structure

8.0   Introduction

Generating Many Radical, Creative Ideas :

How often have you used brainstorming to solve a problem? Chances are, you've used it at least once, even if you didn't realize it.

For decades, people have used brainstorming to generate ideas, and to come up with creative solutions to problems. However, you need to use brainstorming correctly for it to be fully effective.

In this Unit, we'll look at what it is, why it's useful, and how to get the best from it.

8.1   Objectives

After reading this Chapter you should be able to :

- To Define Brain Storming.

- To Analyse the usage of Brain Storming.

- To Understand the creativity.

  To Describe the Emotional Barriers in Decision making.

8.2   WHAT IS BRAINSTORMING ?

Madison Avenue advertising executive Alex Osborn developed the original approach and published it in his 1953, book. "Applied Imagination." Since then, researchers have made many improvements to the original technique.

Brainstorming combines a relaxed, informal approach to problem solving with lateral thinking. It encourages people to come up with thoughts and ideas that can, at first, seem a bit crazy. Some of these ideas can be crafted into original, creative solutions to a problem, while others can spark even more ideas. This helps to get people unstuck by "jolting" them out of their normal ways of thinking.

Therefore, during brainstorming sessions, people should avoid criticizing or rewarding ideas. You're trying to open up possibilities and break down incorrect assumptions about the problem's limits. Judgment and analysis at this stage stunts idea generation and limit creativity.

Evaluate ideas at the end of the session - this is the time to explore solutions further, using conventional approaches.

8.3   WHY USE BRAINSTORMING?

Conventional group problem solving can often be undermined by unhelpful group behavior. And while it's important to start with a structured, analytical process when solving problems, this can lead a group to develop limited and unimaginative ideas.

By contrast, brainstorming provides a free and open environment that encourages everyone to participate. Quirky ideas are welcomed and built upon, and all participants are encouraged to contribute fully, helping them develop a rich array of creative solutions. When used

during problem solving, brainstorming brings team members' diverse experience into play. It increases the richness of ideas explored, which means that you can often find better solutions to the problems that you face.

It can also help you get buy-in from team members for the solution chosen - after all, they're likely to be more committed to an approach if they were involved in developing it. What's more, because brainstorming is fun, it helps team members bond, as they solve problems in a positive, rewarding environment.

While brainstorming can be effective, it's important to approach it with an open mind and a spirit of non judgment. If you don't do this, people "clam up," the number and quality of ideas plummets, and morale can suffer.

8.4   INDIVIDUAL BRAINSTORMING

While group brainstorming is often more effective at generating ideas than normal group problem solving, several studies have shown that individual brainstorming produces more - and often better-ideas than group brainstorming.

This can occur because groups aren't always strict in following the rules of brainstorming, and bad behaviors creep in. Mostly, though, this happens because people pay so much attention to other people that they don't generate ideas of their own - or they forget these ideas while they wait for their turn to speak. This is called "blocking."

When you brainstorm on your own, you don't have to worry about other people's egos or opinions, and you can be freer and more creative. For example, you might find that an idea you'd hesitate to bring up in a group develops into something special when you explore it on your own.

However, you may not develop ideas as fully when you're on your own, because you don't have the wider experience of other group members to draw on.

To get the most out of your individual brainstorming session, choose a comfortable place to sit and think. Minimize distractions so that you can focus on the problem at hand, and consider using Mind Maps to arrange and develop ideas.

Individual brainstorming is most effective when you need to solve a simple problem, generate a list of ideas, or focus on a broad issue. Group brainstorming is often more effective for solving complex problems.

8.5   GROUP BRAINSTORMING

Here, you can take advantage of the full experience and creativity of all team members. When one member gets stuck with an idea, another member's creativity and experience can take the idea to the next stage. You can develop ideas in greater depth with group brainstorming than you can with individual brainstorming.

Another advantage of group brainstorming is that it helps everyone feel that they've contributed to the solution, and it reminds people that others have creative ideas to offer. It's also fun, so it can be great for team building!

Group brainstorming can be risky for individuals. Unusual suggestions may appear to lack value at first sight - this is where you need to chair sessions tightly, so that the group doesn't crush these ideas and stifle creativity.

Where possible, participants should come from a wide range of disciplines. This cross-section of experience can make the session more creative. However, don't make the group too big: as with other types of teamwork, groups of five to seven people are usually most effective.

8.6   CREATIVITY

It is important to start with a clear definition of what we mean by creativity, as there are two completely different types. The first is technical creativity, where people create new theories, technologies or

ideas. This is the type of creativity we discuss here. The second is artistic creativity, which is more born of skill, technique and self-expression.

Many of the techniques in this chapter have been used by great thinkers to drive their creativity. Albert Einstein, for example, used his own informal variant of provocation to trigger ideas that led to the Theory of Relativity. But anyone can learn to be technically creative, and use these tools. They are designed to help you devise creative and imaginative solutions to problems, and help you to spot opportunities that you might otherwise miss.

8.7   APPROACHES TO CREATIVITY

There are two main strands to technical creativity: programmed thinking and lateral thinking. Programmed thinking relies on logical or structured ways of creating a new product or service. Examples of this approach are Morphological Analysis and the Reframing Matrix.

The other main strand uses 'Lateral Thinking'. Examples of this are Brainstorming, Random Input and Provocation . Lateral Thinking has been developed and popularized by Edward de Bono.

Lateral thinking recognizes that our brains are pattern recognition systems, and that they do not function like computers. It takes years of training before we learn to do simple arithmetic - something that computers do very easily. On the other hand, we can instantly recognize patterns such as faces, language, and handwriting. The only computers that begin to be able to do these things do it by modeling the way that human brain cells work. Even then, computers will need to become more powerful before they approach our ability to handle patterns.

The benefit of good pattern recognition is that we can recognize objects and situations very quickly. Imagine how much time would be wasted if you had to do a full analysis every time you came across a cylindrical canister of effervescent fluid. Most people would just open their can of fizzy drink. Without pattern recognition we would starve or be eaten. We could not cross the road safely.

Unfortunately, we get stuck in our patterns. We tend to think within them. Solutions we develop are based on previous solutions to similar problems. Normally it does not occur to us to use solutions belonging to other patterns.

We use lateral thinking techniques to break out of this patterned way of thinking.

Lateral thinking techniques help us to come up with startling, brilliant and original solutions to problems and opportunities.

It is important to point out that each type of approach has its strength. Logical, disciplined thinking is enormously effective in making products and services better. It can, however, only go so far before all practical improvements have been carried out. Lateral thinking can generate completely new concepts and ideas, and brilliant improvements to existing systems. In the wrong place, however, it can be sterile or unnecessarily disruptive.

Often the only difference between creative and uncreative people is self-perception. Creative people see themselves as creative and give themselves the freedom to create. Uncreative people do not think about creativity and do not give themselves the opportunity to create anything new.

Being creative may just be a matter of setting aside the time needed to take a step back and allow yourself to ask yourself if there is a better way of doing something. Edward de Bono calls this a 'Creative Pause'. He suggests that there should be a short break of maybe only 30 seconds, but that this should be a habitual part of thinking. This needs self-discipline, as it is easy to forget.

Another important attitude-shift is to view problems as opportunities for improvement. While this is something of a cliche, it is true. Whenever you solve a problem, you have a better product or service to offer afterwards.

Creativity is sterile if action does not follow from it. Ideas must be evaluated, improved, polished and marketed before they have any value. They also explain the time and stress management techniques you will need when your creative ideas take off. The importance of creativity and innovation can't be overestimated. After all, you can have the best products and processes now, but if your organization lacks creative thinkers, it's going nowhere fast. Without new ideas, new products, and new processes, you'll be left behind by your competitors.

Clearly, creative thinking gives us great new ideas, and helps us solve our most complex problems.

However, by encouraging creative thinking, you can also help your people become more engaged with what they do, increase their self-confidence, and improve their morale. Human beings, no matter who they are or what they do, have an innate desire to think and act creatively.

8.8 EMOTIONAL BARRIERS IN DECISION MAKING

Know How: One of the most common barriers in decision making is not knowing how to make a decision in the first place.

It may seem strange, but many folks do not know how specifically they actually make decisions, or they use different decision making strategies in different circumstances without realizing it.

The solution, of course, is to take the time to learn a process that works.

Expert, or not : Other barriers to decision making concern experts. Some will defer unquestioningly to authority and make no attempt to consider whether the expert's choice actually applies to them or not. The converse of this is where someone is so internally referenced that they ignore expert advice that would actually be useful for them. They are determined to do it their own way, even with difficult decisions.

The best : Major barriers in decision making nowadays are fear and anxiety at getting it wrong. We have this idea that there is one best solution and

that anything else is second-rate. This notion sometimes leads to an excessive gathering of information to the point where sometimes the decision never actually gets made.

One way around this is to make effective decisions as opposed to perfect ones. As General George S. Patton said, 'A good plan, violently executed now, is better than a perfect plan next week'.

What might happen : In a similar vein, further barriers in decision making are the desires to avoid negative consequences and unpleasant aspects. This may lead to indecision, or simply the choosing of a safe option to avoid controversy. This can be especially tricky because often there are unexpected consequences to any decision.

The reason things are unexpected is that they are unexpected! It's just not possible to predict these. Life happens and the world is chaotic. A useful skill is to be able to **use whatever occurs** so that you still get to achieve your outcome. That means you keep your goal in mind, but be flexible in how you achieve it.

Help : Life numbing barriers in decision making is the idea of **allowing someone else** to make the decision for you. This occurs in a more subtle form when people wait for things to happen as opposed to making them happen. It allows people not to have to take responsibility for themselves and for what occurs.

What happens here, of course, is that you end up doing what other people want all the time. The answer here is not just to learn how to make decisions, but first of all you decide that **you actually want to do what you want to do**, at least some of the time!

Faulty models : Some of the available decision making models are themselves decision making barriers. The models may seem rational and sensible but they may not necessarily reflect how humans actually make decisions. With the result that after a few poor decisions, the decision-maker loses confidence and makes decisions reluctantly, if at all.

You've been framed : The frames that people use for their decisions can act as barriers to decision making. 'Not thinking it through' indicates the time frame used was too short. 'What about the others?' suggests that the person is only thinking of themselves. An awareness of the frames being used and whether the decision holds true across many frames are useful considerations. And You've been trained'

And of course the beliefs, assumptions presuppositions and taboos of our culture may act as hidden barriers to decision making because we accept them unquestioningly.

Nothing like a bit of travel between many different cultures to point out to you what your own cultural beliefs are!

Educate yourself

To a large extent, having a working model of decision making and an awareness of the process will allow you to overcome barriers to decision making. This knowledge will sometimes mean that these barriers don't even exist and you are free to make effective decisions.

Some management experts have listed the following emotional barriers in decision making :

1. Immature evaluation.

2. Emotional Attitude

3. Poor Retention of Information

4. Selective Attitude

5. Unuseful full mixing and killing of originality

6. Body Language.

7. Fear

8. Lack of Time

9. Lack of Interest

10. Lack of Inspiration.

8.9   SUMMARY

Brain Storming combines a released informal approach to problem solving with lateral thinking. It encourages people to come up with thoughts and ideas that can at first seem a bit crazy. Some of these ideas can be crafted into original, creative solutions to a problem, while others can spark even more ideas. This helps to get people unstuck by jolting them out of their normal ways of thinking. In creativity people create new ideas new theories and technologies etc. Hard mental thinking, clairvoyance, self confidence and patience are some of the essential qualities for creativeness.

8.10   KEY WORDS

- Brain Storm : A sudden inspiration or ideas.
- Creativity : Make something new or original
- Imagination : Power of imagining.
- Jolting : To give a jerk.
- Explore : To look in to closely.
- Plummet : Fall rapidly
- Distraction : Something annoying and unwelcome
- Provocation : Something that incities.
- Sterile : Unproductive
- Strange : Unusual.

8.11   IMPORTANT QUESTIONS

1. What is Brainstorming? Why use it? Distinguish between individual and group brainstorming.

2. What is creativity in decision making? How can it be learnt?

3. Briefly discuss the emotional barriers in decision making.

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arises only when there is authority. All these three terms are inter-related. Authority denotes conferring power, responsibility denotes satisfactory completion of obligation and accountability denotes answerability regarding one's work. Thus a manager cannot get rid of his responsibilities by delegating his authority or reduce his accountability to his superior for the tasks he has assigned to his subordinates.

Check Your Progress A

1.   State whether the following statements are True or False:

i.   There should be parity between authority and responsibility.

ii.   Those who have reward power also have coercive power.

iii.   Responsibility cannot be delegated.

iv.   Accountability cannot be delegated.

v.   Functional authority is possessed by both line and staff managers.

2.   Fill in the blanks:

i.   Authority is the _____ to command.

ii.   Orders issued against the _____ of the subordinates have limited acceptance.

iii.   _____ is ability of a person to affect and influence others.

iv.   Charisma is the basis of _____ power.

v.   Obligation to carry out the responsibility is called _____.

10.3   CONCEPT OF DELEGATION

The concept of delegation of authority is based on the principle of division of labour. Manger is suppose to delegate some task or duties to a subordinate, as management means getting work done through others. Normally, manager delegate operating task. Theoretically speaking, to delegate means to grant or to confer the authority to sub-ordinate so as to enable him to act is a certain manner independently. According to Allen, "How well a manager delegate determines how well he can manage." It is a two sided relationship and requires sacrifice from both the delegator and delegate. Delegation is an act of trust and confidence in others with an assumption that the individual to whom duties are assigned possess necessary skills to discharge them. Delegation helps to establish superior-

subordinate relationships and creates healthy atmosphere in the organization. It helps the manager to get rid of routine tasks and enables him to focus on policy matters. Any type of task cannot be assigned to subordinates. A manager has to choose between the tasks that can be performed by the subordinate. He divides the total workload into various tasks and a part is assigned to subordinate based on his capability and skill, along with the authority to carry it out.

10.3.1 Features of Delegation

Following are the unique features of delegation:

i. Delegation means freedom of action sufficient to get the task accomplished. It means freedom to make decision, freedom to make mistakes and learn from it. It does not mean to leave the subordinate on his own to either swim or to sink.

ii. Delegation is a courageous act. Fear of being ultimately responsible leads to under delegation.

iii. Delegation demands expression of some positive human traits. Manager must be prepared to give his time, interest and effort with no promise of immediate return.

iv. Delegation creates relationship of dependency between superior & sub-ordinate. Sub-ordinates look for continued favours & support.

v. There are three aspects of delegation as an integral part of the organization- assignment of duties and tasks; grant of authority and; creation of obligation (responsibility) and accountability.

10.3.2 Benefits of Delegation

The following are the advantages of delegation:

i. **Relief to top managers**: Act of delegation relieves top managers by allowing them to delegate routine tasks to lower levels and concentrate on important policy matters.

ii. **Development of subordinates:** Delegation facilitates development of subordinates by making them skilled in routine tasks; develop understanding of work units and allowing them to develop as potential managers.

Block
4

COORDINATION AND CONTROL

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परिमापक

अनुवाद की स्थिति में

मूल लेखक	अनुवाद
मूल सम्पादक	भाषा सम्पादक
मूल परिमापक	परिमापक

सहयोगी टीम

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Block 4 : Coordination and Control

Block Introduction

In previous Blocks you have learnt in detail the concept of organizing and staffing function of management. This block discusses the functions of Coordination and Control. It covers the concept of coordination and its importance in organization, process of setting standards for control, types of control as well as techniques of control.

Unit 13 deals with directing and supervision as managerial function. It explains how leadership and communication are used as fundamental tool to perform directing function.

Unit 14 deals with coordination, factors affecting coordination and also how to make coordination effective. It also covers communication and its importance in achieving coordination.

Unit 15 describes control as a function covering planning control relationship, process of control, establishing standards, measuring performance and correcting deviations. It also discusses human response to control and types of control.

Unit 16 explains the techniques of control, traditional as well as modern.

UNIT 13   DIRECTION AND SUPERVISION

Unit Structure

13.0   INTRODUCTION

Directing and Supervision are vital part of the management process. Unlike any of the other three fundamental functions of management, it deals exclusively with people. Directing and supervision is getting all members of the group to want to achieve and to strive to

achieve the objectives willingly and in keeping with the managerial planning and organizing efforts.

To carry out physically the activities resulting from the planning and organizing steps, it is necessary for the mangers to take measures that will start and continue action as long as they are needed in order to accomplish the task by the members of the group. The process of directing involves-providing effective leadership, ensuring effective communication and motivation of subordinates and coordinating people and task in achieving objectives. The sum total of direction, leadership, communication, motivation and coordination is called "Actuating". The function 'actuate' literally means 'move to action', and its use is thus appropriate for this managerial function that deals with the supplying of simulative power to the group.

This unit explains the fundamentals of directing as to how a manager should direct his sub-ordinates to perform various duties, how supervision be conducted so that not only things get done but also get the things done willingly and harmoniously through employees. In addition to this you will be able to understand how directing function helps to build leadership, and motivate employees, while developing communication channels and achieving coordination, which is a thread to bind the various functions of management together, shall be taken up in next unit.

13.1 OBJECTIVES

After going through this unit, you will be able to understand:-

·   To understand techniques of direction and supervision

·   What should a good order carry?

·   To know the functions of supervisor

·   To know the Leadership traits and styles

·   To understand management practices that lead to motivation of employees.

13.2   MEANING OF DIRECTION

Direction is an ever-present continuing function of the manger. It

is a managerial function performed by all the managers at all levels of the organization. It may be defined as a function of management which is related with instruction, guiding and inspiring human factor in the organization to achieve organizational mission and objectives. There are three important elements in direction: (i) Leadership, (ii) communication, and (iii) motivation. 'Direction' has been defined by certain important management authorities as below:

1.   Koontz and O'Donnell. "Direction is a complex function that includes all those activities which are designed to encourage subordinates to work effectively and efficiently in both the short and long run."

2.   Theo Haimann. "Directing consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned. Directing is the process around which all performance revolves. It is the essence of operations and co-ordination is a necessary by-product of good managerial directing."

3.   "Direction is not only issuing orders and instructions by a superior to his subordinates, but it includes the process of guiding and inspiring them."

13.3   CHARACTERISTICS OF DIRECTION

The following characteristics emerge from the above definitions of 'Direction'.

1.   Direction is a managerial function performed by all the mangers at all levels of the organization.

2.   Through directions management initiates actions in the organization.

3.   Direction is a continuing function; it continues throughout the life of the organization.

4.   Direction initiates at the top level in the organization and follows to bottom through the hierarchy. It emphasizes that subordinate is to be directed by his own superior only.

5.   Direction kills two birds with the same stone; on the one hand, it activates the subordinates to do things as originally planned and on

the other, it provides opportunities before the superiors to do some more important work which their subordinates cannot do

13.4 PRINCIPLES OF DIRECTION

1. **Principle of integration of group goals and organizational goals.** Effective direction should aim at using the groups for the achievement of organizational goals; it involves integration of group goals with organizational goals.

2. **Principle of maximum individual contribution.** Every member of the organization should contribute this utmost. Management should adopt that direction technique that enables the subordinates to contribute maximum.

3. **Principle of efficiency.** In order to achieve group cooperation in the efficient performance of organizational task, the manager should work with and through informal leaders. Moreover, effective direction can be achieved by involving individuals and groups in decision making process. It may be through inviting their ideas and suggestions, consultation of joint decision-making etc. Participative decision-making is bound to ensure effective implementation of decisions as they will feel a sense of commitment and ego-involvement with them.

4. **Principle of unity of command.** A person in the organization should get orders and instructions from one superior only and he should be responsible to that superior only.

5. **Principle of effective communication.** The manager should ensure that tasks, responsibilities, policies, plans etc., are fully understood by all concerned. There should be hand and glove cooperation between listening, understanding and doing.

6. **Principle of efficient control.** Direction cannot be fully effective without an efficient, accurate and timely control mechanism for monitoring information on behaviour and performance.

7. **Principle of Leadership.** Managers should be effective leaders also so that they may influence the activities of subordinates without dissatisfying them.

8. Principle of follow through. Direction is a continuous managerial process. Merely issuing orders is not sufficient, but management should find out whether the subordinates are working accordingly, what difficulties they are facing and in the light of these the order may be modified.

13.5 CHARACTERSITICS OF GOOD ORDER

A good order should carry the following points:-

(i) The order must be reasonable and capable of immediate compliance by the sub-ordinate.

(ii) The order must be compatible with the purpose and objectives of the enterprise.

(iii) The order should be intelligible, complete and clear.

(iv) The tone of order should be appropriate.

(v) The order must specify the time within which it should be carried out.

13.6 TECHNIQUES OF DIRECTION

The manager has at this disposal three broad techniques of direction: consultative, free rein and autocratic.

1. **Consultative Direction.** The essential characteristic of this method is that the executive consults with his subordinate concerning the feasibility, the workability and the extent and content of a problem before the superior makes a decision and issues a directive. It does not lessen or weaken the manager's formal authority because the right to decide still remains with him. Here participation can occur on every level of the organization. For the success of this technique, it is essential that the subordinate must be in favour of it.

2. **Free Rein Direction.** When the manager uses the free rein technique he goes further than he does in the consultative method. The free rein technique encourages and enables the subordinate to contribute his own initiative, independent thought, drive, and ingenuity to the solution of the problem. This does not mean 'no-rein' technique or that the executive relinquishes his supervisory duties or permits the

subordinate to wander far afield. He assigns the task not in specific way but in general terms. Here the initiative remains with the subordinate. He will have to select the solution and carry it out.

3.   Autocratic Direction. The antithesis of free rein technique of directing the autocratic method where the executive substitutes commands for the more informal methods and hands down detailed and precise orders in connection with close supervision of the subordinates. When the manager employs autocratic technique, he gives direct, clear and precise orders to his subordinates with detailed instructions as to how and what is to be done, allowing no room for the initiative of the subordinate.

13.7   SUPERVISION

In the field of management supervision refers to the day-to-day guidance and direction of operations. The term 'Supervision' is normally used in organizational and management literature to mean overseeing the performance of tasks assigned to rank and file workers and non-managerial employees. Supervision concentrates on four main parts of managements in action, viz., (i) direction, (ii) motivation, (iii) leadership, and (iv) coordination. All these parts are closely inter-connected and inter-dependent. Supervisor is the only level of management which is in direct touch with the rank and file workers. The top management hardly devotes 20% of its time to direct supervision whereas the supervisors have to give about 80% of their direct supervision of operatives to get work done.

13.8   SUPERVISOR'S ROLE IN MANAGEMENT

Since the role of the supervisor arises out of his position in the organization, it shall not be out of place to focus attention on his exact position. A supervisor is regarded as the 'Key man in management'. He occupies a strategic position of strength in the organization. He is in charge of the primary work group consisting of workers/white-collar clerical or administrative employees in the organization. He is the bottom-line link in the managerial hierarchy or chain. His position in the organization is quasi-managerial. He is positioned in the twilight zone between the managers above him and the rank and file workers/employees below him.

He is often described as the man in the middle, a buffer between management and labour, a 'whipping boy' for mangers above him, a trouble shooter and so on. He has to play the triple role, a key man, a man in the middle and a human relations specialist. Directing, motivating, communicating, co-coordinating and controlling are the principal functions of first-line managers.

13.9 FUNCTIONS OF SUPERVISOR

The important functions of a supervisor may be outlined as follows:

1. **Managerial functions.** Though the supervisor's position is quasi-managerial in terms of the nature and quantum of authority vested in him, he is required to perform most to the typical managerial function of planning, organizing, direction and control. It is at the supervisor's level that the goals, strategies, policies, programs and resources of the organization are converted and operationalized into products/services.

2. **Task assignment.** The supervisor has to assign the tasks to his group members, set performance goals for them in clear terms and make them accountable for results. Task assignment is to be effectively supported by planning and scheduling of work both on a short-term and day-to-day basis by the supervisor. He has to make available tools and equipments and facilitate services.

3. **Provide technical job-knowledge**. The supervisor should be technically competent. He should have sufficient knowledge and information to understand any technical problem quickly and to devise the best workable solution.

4. **Human Relations specialist**. A supervisor is a practitioner of industrial psychology. As a leader of this group he has to capitalize human emotions, sentiments and attitudes for maximum productivity without sacrificing employee satisfaction. He has to solve the work-related problems of group, represent the group grievances to higher level management, protect the group from external and extraneous threats and resolve possible internal conflict among the members to the extent possible.

5. **Control function**. Another important function of the supervisor is to move the group towards performance of the assigned tasks and fulfilment of the set goals. This is basically a control function to ensure that what is planned is achieved at the level of the work unit.

6. **Linking pin function**. An important function of the supervisor is to activate the communication channel with the higher level management. The latter often relies on his information and assessment for making important operational decisions. He should feed genuine and full information to higher level management. He is to be prompt, factual and honest in reporting to the higher level management.

Check Your Progress-A

1.   State whether the following statements are True or False:

i.   Directing is influencing the behavior of people in the organization.

ii.   Direction function is supported by rules and regulations.

iii. Supervision deals with top management's support to workers.

iv.   Autocratic direction involves close supervision of subordinates.

v.   In issuing the order, time limitation is important.

2.   Fill in the blanks:

i.   The sum total of direction, leadership, communication, motivation and coordination is called _____.

ii.   _____ is a function related with instruction, guiding and inspiring human beings.

iii. Three important elements in direction: are leadership, communication, and _____.

iv.   _____ performs a linking pin function.

v.   In _____ direction, the initiative remains with the subordinate.

13.10   LEADERSHIP

Management can get the results from the people in the organization in two ways, one by exercise of authority vested in it and second, by winning support of the people. Out of these, second method is better as it has lasting effect over the people's motivation. It is only possible when

manager practices effective leadership role. Leadership, therefore, is an essential in gradient for organizations success.

Leadership can be defined as "a name for that combination of qualities by the possession of which a person is able to get the things done, chiefly because of his influence they become willing to do it."

Leadership is "a process of inducing a sub-ordinate to act in a desired manner either in the formal or informal situation."

One of the descriptions of leadership is that it is an influence-interaction process between the leader and his group of followers/sub-ordinates. Thus, one who leads is not a leader but one who is led by others (followers) is a leader. It is an interpersonal and a social process.

The important characteristics of leadership can be summarized as below:-

(i)   A leader must have followers. There must be acceptance of leadership by sub-ordinates. Without followers, leadership cannot be imagined.

(ii)   There must be working relationship between the leader and his followers. It means that leader must be an active participant.

(iii)   The leader must set an ideal before his followers. A leader is judged what he is, by what he does and how he behaves.

(iv)   There must be community of interests between the leader and his followers. He must try to reconcile differences and influence people to strive willingly for mutual objectives.

From the above discussion two points emerge:-

(a)   Leadership is basically personal quality (traits)

(b)   It is an ability to influence others.

13.10.1   Leadership Traits:

Trait is defined as relatively enduring quality of an individual that appears constantly in variety of situations. They differentiate one personality from others as individuals can be described in terms of construction of traits. Traits are assumed to be fairly stable for a longer time, although they are subject to change. An effective leader is supposing to posses the following traits.

1. Emotional stability. A leader should have high level of emotional stability. He should be free from bias, is consistent in action, and refrains from anger. He is well-adjusted, and has no anti-social attitudes. He is self-confident and believes that he can meet most situations successfully.

2. Human Relations. A successful leader should have adequate knowledge of human relations, that is, how he should deal with human beings. Since an important part of a leader's job is to develop and get their voluntary co-operation for achieving work, he should have intimate knowledge of people and their relationship to each other. The knowledge of how human beings behave and how they react to various situations is quite meaningful to a leader.

3. Empathy. Empathy relates to observing the things or situations from others' points of view. The ability to look at things objectively and understanding them from others' point of view is an important aspect of successful leadership. When one is empathetic, he knows what makes the other fellows think as the does, even though he does not necessarily agree with others' thoughts. Empathy requires respect for the other persons, their rights, beliefs, values, and feelings.

4. Objectivity. Objectivity implies that what a leader does should be based on relevant facts and information. He must assess these without any bias or prejudice and base his relationship on objectivity. He should not permit himself to get emotionally involved to the extent that he finds it difficult to make an objective diagnosis and implement the action required.

5. Motivating Skills. Not only a leader is self-motivated but he has requisite quality to motivate his followers. Though there are many external forces which motivate a person for higher performance, there is inner drive in people also for motivation to work. The leader can play active role in stimulating these inner drives of this followers. Thus, a leader must understand his people to this extent that he can know how he can activate them.

6. Technical Skills. The leading of people requires adherence to definite principles which must be understood and followed for greater success. The ability to plan, organize, delegate, analyze, seek advice, make decisions, control, and win co-operation requires the use of important abilities which

constitute technical competence of leadership. The various technical competence of leader may win support from the followers.

7.   Communicative Skills. A successful leader knows how to communicate effectively. Communication has great force in getting the acceptance from the receivers of communication. A leader uses communication skillfully for persuasive, informative and stimulating purposes. Normally, a successful leader is extrovert as compared to introvert.

8.   Social Skills. A successful leader has social skills. He understands people and knows their strengths and weaknesses. He has the ability to work with people and conducts himself so that he gains their confidence and loyalty, and people co-operate willingly with him.

The traits listed above are only suggestive and it cannot be said for certain about the relative contribution of each trait to be a successful leader.

13.10.2   Leadership and Influence process:

In order to influence others, leader needs to posses some powers. These powers are either formally derived owing to his position in the hierarchy or, informally derived based on his personal characteristics. Though the type of powers has already been discussed at length in unit 10, let us examine them in brief with respect to leadership as follow:

Formally derived power based on position:-

(i)   *Legitimate power:* This power is a prerogative of a leader/manager by virtue of his positioning the hierarchy. It comes from the rules of the organization providing them legal authority for action.

(ii)   *Coercive power*: This is the ability to threaten or punish. It is associated with ability to assign distasteful tasks, withhold promotions, and harass sub-ordinates by not rewarding performance suitably. A leader can give punishments like dismissal, demotion, reprimand, transfer etc.

(iii)   *Reward power:* This power is the ability to reward for worthy behaviour. The leader has the power to give tangible rewards such as promotion, time off from work, attractive work assignments etc. It also

carries psychological rewards like praise, appreciation, recognition, approval given by leader to sub-ordinates.

(a)   Informally derived Powers:-

(i)   *Expert power: -* It stems from one's own knowledge, expertise or skills which help to influence the sub-ordinates. Expert like lawyer, computer programmer, purchasing agent or a financial analyst are few examples.

(ii)   *Referent power: -* It is also known as charismatic power. Some leaders have unusual flair and pleasing personality to attract others through which they influence them. For example, good oration skills, attractive physical appearance, good, interpersonal relation etc.

(iii)   *Information Power: -* people who possess valuable information are contended to have more power. They make others to depend upon him for information.

(iv)   *Connection power:* Sometimes connections with people inside or outside the work environment by a superior also brings power to him, for example, connection with managing director, good rapport with officials outside etc.

13.11   MANAGER Vs LEADER

It is a common practice that social scientist treat 'manager ship' and 'leadership' as synonymous terms: however there is a difference. There can be leaders of completely unorganized groups whereas, there can be managers only where organized structures exists. Another difference lies in the context of scope of functions. A manager has to perform all five functions viz. planning, organizing, staffing, directing and controlling. Leadership function comes under directing. Therefore we can say that all managers are leaders but all leaders are not managers.

13.12   LEADERSHIP STYLES

Leadership styles are the pattern of behaviour which a leader adopts in influencing the behaviour of his followers (sub-ordinates) in the organizational context. There are many dimensions of leadership styles as given below: -

Exhibit

Classification of Leadership styles based on dimensions	
Dimension	**Leadership styles**

(a) Based on power	1. Autocratic Leadership style
	
	   - Tough Autocratic
	
	   - Benevolent Autocratic
	
	2. Participative leadership style
	
	   - Consultative
	
	   - Democratic
	
	3. Free- rein (Laissez faire)
	
	   leadership style.

(b) Based on Motivation	4. Bureaucratic Leadership style 1. Positive Leadership Style 2.Negative Leadership Style
(c) Based on supervision orientation	3. Manipulative Leadership Style 1.Employee- centred Leadership 2. Production- centred Leadership

1. *Autocratic leadership style:* Autocratic leaders are work centred. They not only issue orders but seek immediate compliance. They do not tolerate any deviation in order fulfilment. They take all decisions on their own and do not allow sub- ordinates to participate. Communication pattern is one sided. This leadership style is often resisted by sub-ordinates because of no feedback. It is often viewed as negative leadership style. Broadly, it can be of two types-tough and benevolent. Tough autocrats are hard task masters. They consider sub-ordinates as a tool to extract performance. They believe in pay for performance and praise sparingly. Benevolent autocrats project their image as a 'father figure' in the organization and expect their sub-ordinates to discuss with them about the problems faced. Those who are loyal to him will stay in the organization and others are kicked out.

This type of leadership styles is suitable in the situation when sub-ordinates are immature, less educated, less skilled and new on the job.

2.   Participative leadership style: Participative leaders involve their sub-ordinates in joint decision making. They not only issue orders but also help the subordinates in fulfilling it. They cultivate decision making abilities in their sub-ordinates and prepare them for future managerial positions. These leaders develop team spirit. It is often viewed as positive leadership style. Broadly, it is of two types-consultative and democratic. Consultative leader in group decision making clarifies in the beginning it self that final decision to select from the alternative choices suggested by group will be his prerogative. Democratic leader himself becomes the member of group and selects the alternative based on group consensus. These types of leadership styles are suitable when employees are mature, knowledgeable, experienced and possess requisite skills.

3.   Free Rein (Laissez Faire) Leadership style: These leaders believe in providing enough freedom at work to subordinates. They believe in the philosophy that 'one who leads the least leads the best'. Such leaders prefer to delegate much of the work to sub-ordinates and permit them to learn from their own mistakes. It does not mean that they leave their sub-ordinates to swim or sink. They only welcome the sub-ordinate for discussion when he is really facing the problem. He makes sub-ordinates feel responsible for the task assigned. This leadership style is suitable when sub-ordinates are mature, elderly, experienced and informed.

4.   Bureaucratic Leadership style: These leaders get the name because of the type of bureaucratic organization in which they work. These Leaders are found to keep their boss happy and sub-ordinates unhappy. They abide by rules and regulation of the organization and insist on proper channel. They foster workers apathy. This leadership style is characterized as red-tapism.

5.   Positive leadership style: It is similar to participative leadership style. They prefer to develop positive human traits in their sub-ordinates. They not only issue orders and instruction but also tell sub-ordinates why it is important. They exercise power through the people and not over the people.

6.   **Negative Leadership style**: It is similar to autocratic leadership style. Such leaders create environment of fear and distrust and push their sub-ordinates to work. They consider their subordinates as a cog in the wheat and treat them in inhumane way. They believe in negative reinforcement and punishment.

7.   **Manipulative Leadership style:** Manipulative leaders play with the needs of their sub-ordinates. They create illusion of rewards for sub-ordinates and never give them for the task accomplished. This is one of the most risky leadership styles and should be practiced only when situations are getting out of control.

8.   **Employee centred leadership style**: Such leader's focuses on human aspects. They treat sub-ordinates as human beings, show concern for their well being and encourage them in goal setting. Such leaders give sub-ordinates enough freedom to accomplish their task. This leadership style is similar to participative style.

9.   **Production centred leadership style**: These leaders prefer to structure job of sub-ordinates. Employees are seen as a tool in the production process. Such leaders show concern for production, emphasize on work standards and technical aspects of job. They believe in close supervision. This leadership style resembles autocratic leadership style.

13.13 MANAGERIAL GRID

The concept of managerial grid was given by R.R. Blake and Jane S. Mouton. They emphasize that leadership style consists of factors of both task oriented and relation oriented behaviour in varying degrees.

The dimension, 'concern for production' is not limited to things only. It comprises of creative ideas that turn research into useful products, quality of staff service, work load and efficiency as well as units of output. The dimension, 'concern for people' is not only confined to interpersonal warmth and friendliness but also for degree of commitment to complete a job, accountability based on trust, friendship with co-workers etc.

In the managerial grid 'concern for production' is plotted on x-axis and 'concern for people' on y-axis both on nine point scale. That

gives rise to 81 square, each representing a particular leadership style. But for study purpose five leadership styles are considered as below:

```
9   1.9                          9.9

8   Country club                 Team

7

6

5   ─────────────   5.5. ──────────

4              Middle Road

3

2

1   Impoverished                 Task

    2   3   4   5   6   7   8   9
```

Concern for people (vertical axis)

Concern for production (horizontal axis)
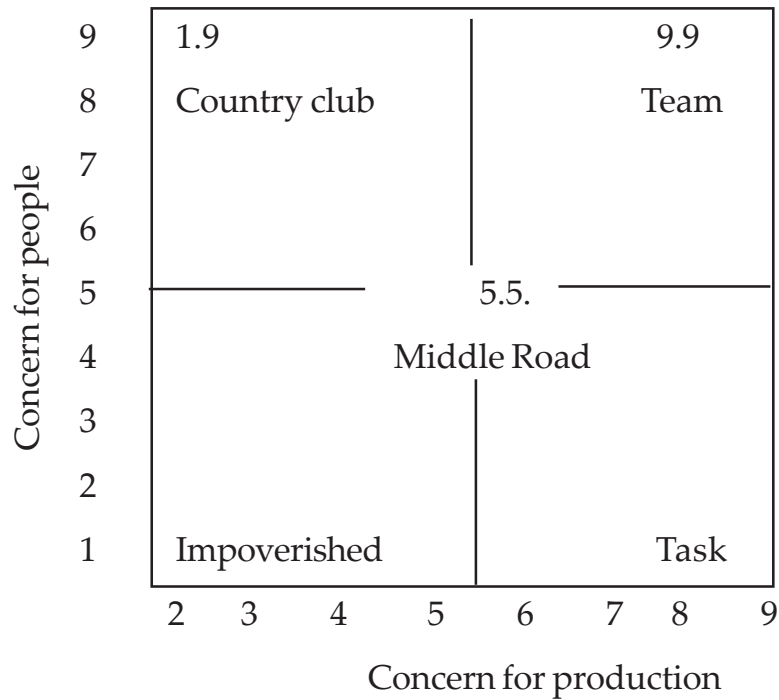
1.1 Impoverished- Exertion of minimum effort is required to get work done and sustain organization morale.

1.9. Country club- Thoughtful attention to needs of people leads to friendly and comfortable organization atmosphere and work tempo.

9.1 Task- Efficiency results from arranging work in such a way that human elements have little effect.

5.5 Middle Road- Adequate performance through balance of work requirements and maintaining satisfactory morale.

9.9 Team- Work accomplished is from committed people with interdependence through a common stake in organization purpose and with trust and respect.

According to the managerial grid, 9.9 styles is the optimum leadership approach, often called 'super leader style' and many organizations use training programs to develop 9.9 managers. The grid helps managers to identify their own leadership styles and then serves as a framework to achieve 9.9 styles.

13.14 MOTIVATION

Most important task of management is to get the work done by the sub-ordinates. Sub-ordinates performance depends upon two factors ability to do certain work and, level of motivation.

Performance= Ability X Motivation

Thus performance level will be high if both of these are high. Motivating a worker is to create a need and a desire on the part of a worker to better his present performance. Motivation is thus, trigger of desire in the sub-ordinate to perform. It is a psychological phenomenon. Human behaviour is caused by motives which are the expression of human needs, and motivation is the process of inducing persons to experience needs for certain desired behaviour so that organizational efficiency is achieved.

Several theories of motivation have been given by behavioural scientists which are beyond the context of this subject. They shall be taken up in one of the module of coming semesters. Here we shall cover the techniques involved in motivating the sub-ordinates.

13.15 TECHNIQUES OF MOTIVATION

Individuals have varied types of needs. Some of them can be satisfied by money, while others cannot be satisfied by money alone. On the basis of this, the various incentives which may be used by the organizations may be classified into two parts, viz. financial incentives and non-financial incentives.

(a) Financial Incentives

In the context of existing economic system, money has become a means not only to satisfy the physical needs of daily life, but also of obtaining social position and power. Human beings first take care of their primary needs of food, shelter, clothing etc. Since money has the exchange values- these they can have in exchange of money- money becomes a basic incentive for individuals. The organizations offer wages which become incentives for individuals to join the organization. The wage structure should be such that it motivates the present and prospective employees of the organization.

Though various theories do not emphasize the role of money as motivating factor, it should be borne in mind that money has its special significance in the motivational scheme which may not necessarily be covered by theories. Since money is not an end but a means of purchasing ends, it can gratify both, physical and safety needs, the lower-order needs. Thus, to some people, money is not important, whether they have a lot or little. Others no matter how much money they have are continuously driven by the desire to acquire more money, possibly to satisfy their desire for status or their goal of being rich (esteem and self actualization needs respectively in terms of need-hierarchy). Thus, money is a factor by which a person can satisfy his various types of needs. Research indicates that for some money can be instrumental in satisfying esteem and recognition needs as well as basic physiological needs.

(b) Non-financial Incentives

The non-financial incentives can be grouped into three parts as shown below:

A.   Individual Incentives. These incentives motivate people on individual basis. The incentives exist, but only certain individuals may get them, though on individual basis not on group basis, e.g., making job more pleasant. The various forms of individual non-financial incentives are as follows:

(i)   Status. Status, in general terms, is the ranking of people in the society. In the organizational context, status means the ranking of positions, rights and duties in the formal organization structure. The status system is an instrument of motivation because it is extremely important for most of the people. The status system should be closely related to the abilities and aspirations of people in the organization.

(ii)   Promotion. Promotion is defined as a movement to a position in which responsibilities and presumably prestige are increased. Promotion satisfies the needs of human beings in the organization. Since the promotion depends upon capabilities and good performance, people will try for that if the avenues for promotion exist.

(iii)   Responsibility. Most of the people prefer challenging and responsible jobs rather than monotonous and routine type jobs. If the job

is responsible, it satisfies people's natural and inherent characteristics and they put more efforts for completing the job.

(iv) ***Making Job Pleasant and Interesting.*** The work can be made enjoyable and pleasant if it is so designed that it allows the employees to satisfy their natural instincts. This creates interest in the work and employees take it as natural as play. Job enlargement-a method of making job more complicated and varied- makes the job more pleasant and interesting.

(v) ***Recognition of Work.*** Most people have a need for a high evaluation of themselves. They feel that what they do should be recognized by others concerned. Recognition means acknowledgment with a show of appreciation. When such appreciation is given to the work performed by employees, they feel motivated to perform work at similar or higher level.

(vi) ***Job Security.*** Employees want that their job is secure. They want certain stability about future income and work so that they do not feel worried on these aspects and they can work with greater zeal. This aspect is more important considering the inadequate job opportunities and too many aspirants for these. However, there is one negative aspect of job security. When people feel that they are not likely to forfeit their jobs they become complacent.

B. **Collective Incentives.** People may be motivated in groups also. They perform their duties in groups and are affected by the group. If the group in general is efficient, an individual tends to become efficient. Some of the collective non-financial incentives are as follows.

i. *Social Importance of work.* People generally prefer a work which is socially acceptable. If the society gives importance and praise to the work, people like it to perform. Sometimes, people prefer a job of high social importance even though the financial compensation would be less.

ii. *Team spirit.* The management should encourage team spirit, that is, to work in co-operation and coordination. Team work is a coordinated action by a co-operative small group in regular contact wherein members contribute responsibly and enthusiastically toward task achievement.

If there is team spirit among the employees, they will try to put in maximum efforts to achieve the objectives.

iii. *Informal Groups.* When people work together they develop some sort of affiliation among themselves. These relationships are not officially prescribed, but created on the basis of certain factors, both personality factors of the employees and other social factors. The creation of these informal groups provides social satisfaction to employees at work place. People feel to achieve a sense of belongingness and security.

C. **Institutional incentives.** These incentives are related with the environmental factors in the organization. Conductive and congenial atmosphere of the organization motivates employees to produce better results. Following incentives fall in this category:

i. *Participation*. The subordinate should also be associated with decision making process. This not only motivates a subordinate to take prompt and proper action on decision implementation, but also makes him responsible for anything which goes wrong.

ii. *Communication.* A free and adequate flow of communication provides base for successful organizational functioning. Two way communications with proper feedback motivates employees to work.

iii. *Building Morale*. Though there are various definitions of morale, it can be defined as the attitudes of individuals and groups towards work environment and towards voluntary co-operation to the full extent of their ability in the best interest of the organization. Generally, high level of morale results in high productivity. High morale of employees depends on the various facilities provided to them to satisfy their physiological and psychological needs, latter being more important.

Check Your Progress-B

1. State whether the following statements are True or False:

i. A leader must have followers.

ii. All leaders are managers but all managers are not leaders.

iii. Leaders should not be empathetic.

iv. Performance is a product of ability and motivation.

v. Employees want their jobs to be secure.

2. Fill in the blanks:

i. In _____ leadership style, there is low concern for people as well as production.

ii. Participation is a type of _____ incentive.

iii. Creation of _____ groups provides social satisfaction to employees at work place.

iv. Managerial Grid was given by R. R. Blake and _____.

v. Negative leadership style is similar to _____ leadership style.

13.16 SUMMARY

The term direction stands for that managerial function which initiates organized action. When any administrative decision is taken, it must be converted into action. It is possible by direction. Every manager gives direction to his subordinates as a supervisor. For direction, managers have to issue orders which must be reasonable, compatible, and complete and must define the time limit of its execution. Direction function can take three forms: consultative, free-rein and autocratic. To carry out direction managers have to supervise day-to-day performance of their subordinates and provide them guidance. Though in managerial hierarchy, there exists a supervisor position at the bottom-line link. Below him are the workers and above him are the managers. He receives orders from managers and issue orders to workers. He performs key-role in maintaining the balance between top and bottom level.

For effective direction, managers have to perform the role of leader as well as motivator. Leadership is the process of inducing a subordinate to act in desired manner either in the formal or informal situation. A leader must possess certain set of traits like, emotional stability, human relations, empathy, objectivity, motivating skills, technical skills, communicative and social skills. Based on power, we can classify leadership styles as autocratic, participative, free-rein and bureaucratic. Based on motivation, the leadership styles can be classified as positive, negative and manipulative. Based on supervision, there can be employee-centred and production centred leadership styles.

In order to get the work done by subordinates, they need to be motivated. Motivation is the process of inducing persons to experience needs for certain desired behaviour so that organizational efficiency is achieved. People could be motivated either by financial incentives or by non-financial incentives like, status, promotion, responsibility, job enrichment, recognition, job security, building team spirit, allowing working in informal groups, encouraging participation, two-way communication and by building morale.

13.17 KEYWORDS

·   *Direction*: Direction is not only issuing orders and instructions by a superior to his subordinates, but it includes the process of guiding and inspiring them.

·   *Supervision*: The term 'Supervision' is normally used in organizational and management literature to mean overseeing the performance of tasks assigned to rank and file workers and non-managerial employees. It is a combination of invigilation and guidance.

·   *Leadership*: Leadership is a process by which a person influences others to accomplish an objective and directs the organization to make it more cohesive and coherent.

·   *Trait:* A relatively enduring quality possessed by a person which is expressed either in formal or informal situations.

·   *Autocratic Leadership style:* It is characterized by centralization of authority and decision making and limited participation by subordinates of the group. Such leaders accomplish results through use of authority, fear of deprivation, punishment, and other coercive measures.

·   *Democratic Leadership styles*: it is characterized by substantial participation by members of group in decision making process. Subordinates are allowed sufficient freedom of communication with leader as well as with fellow subordinates.

·   *Laissez-faire Leadership style:* Under this leadership style, the leader largely depends upon the members of the group to establish their own goals and make their own decisions. This leadership style is usually confined to a small creative or development group.

· *Motivation*: Motivation is the desire to do the task or a willingness to work in a manner in which one wants it done, which is distinct from the capacity to work.

· *Financial incentives*: The incentives which are expressed in monetary terms, like wages, bonus etc are financial incentives. They emphasize the role of money as motivating factor.

· *Non-financial incentives:* These are the incentives which are not expressed in monetary terms but are given as to reward the outstanding performance of the employee. They come in form of recognition, pat on back, participation, giving responsibility, status, promotion etc. these incentives boosts the morale of the employee for better perform

ANSWERS TO CHECK YOUR PROGRESS

A.   1. (i) True (ii) False (iii) False (iv) True (v) True

       2 (i) Actuating (ii) Directing (iii) Motivation (iv) Supervisor (v)
          Free-rein

B.   1. (i) True (ii) False (iii) False (iv) True (v) True

       2. (i) Impoverished (ii) Institutional (iii) Informal (iv) Jane.S
          Mouton (v) Autocrati

13.18   IMPORTANT QUESTIONS

1.   What are the principles of direction? Discuss carefully the different techniques of it.

2.   "A good supervisor in like a bank account. It gives you a sense of security though you do not necessarily have to draw upon it too often". Comment.

3.   Identify various leadership styles based on power and the situations under which they are effective.

4.   "Money holds the key to work motivation in modern business organizations". Discuss.

5.   What are the qualities of a good supervisor? Explain the supervisor's role in management.

6. Which motivational tool will you like to use for knowledge workers? Will your approach be different for operators on a shop floor?

7. Discuss different leadership styles. How do leadership styles differ from organization to organization and from person to person within the same organization?

8. Discuss the concept of Managerial Grid. How it is used by management?

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4. Neeru Vasishth; Principles of Management; Taxmann Publications, New Delhi; 3rd edition.

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UNIT 14   COORDINATION AND COMMUNICATION

Unit Structure

14.0   INTRODUCTION

Coordination is a thread to bind the various functions of management together. Coordination is all-pervasive and it is the essence of management. Without it, the organization cannot maintain unity of

action amongst individuals and departments. Coordination integrates, harmonises and balances the conflicting opinions of individuals and departments and facilitates their movement in a unified direction i.e. organizational goal. It applies to group efforts as it facilitates integration of individual efforts vertically and horizontally to achieve the objectives of the organization. Coordination in organizations talk about shared vision. Effective communication mechanisms are needed to develop a shared vision. In day-to-day operations, communication plays a great role in clarifying doubts and in making the efforts of individuals result-oriented.

This unit explains the importance of coordination and how coordination could be achieved by overcoming the factors which causes difficulty. It also examines the concept of communication, its importance and types, barriers to effective communication and how communication can be used to achieve coordination among individuals and departments.

14.1 OBJECTIVES

After going through this unit, you will be able to understand:-

- Importance of coordination

- Limitations in achieving coordination

- Techniques of coordination

- Types of communication

- Barriers to effective communication and how to overcome it

14.2 COORDINATION

Co-ordination may be defined as an on-going process whereby manager develops an integrated, orderly and synchronized pattern of group effort among the subordinates and tries to attain unity of effort in the pursuit of a common purpose. Co-ordination is a harmonious combination or interaction; it is the process of integrating the various factors of production and their function in an enterprise so as to make a harmonious combination of the factors and synchronize the functions as to time, place and objective. It is a conscious and rational function of pulling together all the different and multiple 'threads' of organized

activity and weave them into a unified whole to achieve pre-determined goals in a most efficient and effective manner. In organizations, the managerial sub-system is the supreme coordinating agency.

Co-ordination may be defined as the heart of management, which permeates the entire fabric of business management from the top executives to the workers down below. Co-ordination may be internal or external to the organization. Internal co-ordination exists between (i) different groups of employees of the same department or section; (ii) managers and workers at different levels; (iii) board of directors and departmental managers; (iv) different departments, branches, plants and other parts of an enterprise. External co-ordination on the other hand, exists between the company and the outside parties, such as, customers, suppliers, government, community and other allied agencies. To quote Haimann, "Co-ordination is the orderly synchronization of efforts of the subordinates to provide the proper amount, timing and quality of execution, so that their unified efforts lead to the stated objective, namely, the common purpose of the enterprise."

14.3 ELEMENTS OF COORDINATION

The different elements of coordination are expressed in the following diagram:

COORDINATION
⇑   Cooperation
Good Human Relations
Understanding
Communications
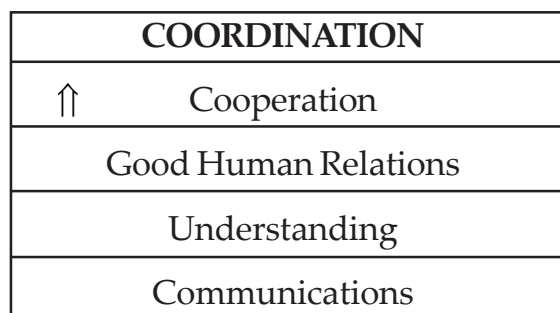
The diagram presents a sequence of elements that must be built into organization in order to realize coordination. At the top of the chart it is Coordination which every organization wants to achieve. Studies have shown that high productivity in an organization depends upon interest and willing Cooperation of both managers and workers, the second listing in the sequence. Human beings should be led by goals which they accept as justifiable, worthy and fair to all concerned. This

leads to Human Relations as the third element in the sequence. Good human relations, in turn, are dependent upon Understanding. There must be understanding of goals and inter-relationship among jobs. For good understanding among people, there must be effective means of Communication among them.

14.4 FEATURES/ NATURE OF COORDINATION

The characteristic features of co-ordination are:

1.   **Group effort:** Coordination integrates the efforts of individuals and departments to make them work as group. It ensures that individuals work as group for promoting their individual and organizational goals.

2.   **Unity of action**: Every individual, group and department has its own way of achieving the goals. Coordination ensures unity of action by allowing them to remain within the framework of policies, procedures etc.

3.   **Common goal:** Every individual and department wants to maximise their goals. But maximisations of departmental goals at the cost of organizational goals can be harmful for the organization. For example, sales department want to increase the sale by putting pressure on marketing department to increase advertisement, the funds for which may not be released by finance department. Coordination ensures fair distribution of resources so that efforts of all departments are synchronized to achieve organizational goals.

4.   **Continuous process:** Coordination is not a one-time effort to integrate the goals. It is a continuous and dynamic process.

5.   **Managerial responsibility:** All managers, irrespective of their functional specializations and hierarchical levels, need to coordinate to achieve the goals of the organization. Hence coordination is the responsibility of all managers.

6.   **Essence of management:** All managerial function requires coordination whether it is planning, organizing, staffing, directing and controlling. Hence it is not a separate function of management; rather it is a pervasive phenomenon. Thus it is called the essence of management.

7.   **Harmonizes diversified efforts:** To achieve the goal, organize segregates its activities into different parts. Each part is taken care of by

individuals working in a group. Each such part forms a specific task and aggregation of tasks leads to achievement of organizational goals. It is only possible by effective coordination which integrates and harmonizes the efforts of people of all departments at all levels towards achievement of organizational goals.

8. **Conscious action**: Coordination cannot be achieved spontaneously. It emanates from conscious and concerted action of management. Managers make deliberate efforts to coordinate their inter-departmental activities.

9. **Eliminates duplication:** Coordination eliminates the problem of overlapping and duplication, thereby ensuring optimal utilization of the organizational resources (physical, human and financial).

14.5 NEED / IMPORTANCE OF COORDINATION

The need for coordination can be understood in terms of three categories:

- Division of labour: Coordination is important because of growing specialization.

- Interdependence of units: Coordination is important because of growth in size of organizations.

- Integration of individual with organization: Coordination is important due to diversity of human nature.

  The importance of coordination in organizations has been discussed here:

1. **Facilitates specialization:** Division of labour and specialization requires segregation of the organization into different parts, though all these parts function towards achieving a common goal. Integration of these segregated parts requires coordination.

2. **Non-routine jobs:** Non-routine jobs need constant flow of information, both vertical and horizontal. Coordination can help in carrying such non-routine jobs.

3. **Unity of action:** Work-force diversity is inherent in the organizations due to globalization. It brings in diversified skills, cross

cultural diversity, activities and perceptions. Coordination can reconcile such diversity and restore unity of action to achieve organizational goals.

4. **Standards of performance**: When standards of output against which to measure the performance are too high, managers need to coordinate various activities to ensure high performance standards are achieved.

5. **Interdependence of activities:** When various departments depend on each other for resources, there arises need for coordination. According to Thompson, there are three types of interdependence: pooled, sequential and reciprocal. In pooled interdependence, performance of organization depends upon pooled performance of departments. The need for coordination is minimum here. In sequential interdependence, the performance of one department depends upon other department. In reciprocal interdependence, there is give and take relationship among departments. The need for coordination is more in sequential and reciprocal interdependence of activities.

6. **Balances inequality:** Individual differences due to one's perception, learning and personality may create imbalances, thereby making it difficult to achieve organizational goals. Coordination helps in balancing inequalities and thus promoting team work.

7. **Growing organization:** As the size of organization grows, it becomes difficult for management to keep their fingertip on pulse of every department and to ensure uniformity. Coordination helps to cope up with such limitation of growing size.

8. **Synergy:** Coordination facilitates synergy which means, 'whole is greater than sum of their individual parts'. It integrates work of different departments and produces synergistic effects.

14.6   PRINCIPLES OF COORDINATION

Mary Parker Follett (1984), one of the experts of modern management, has suggested various principles of coordination to make it effective and functional. They are:

1. **Principle of early start:** This principle states that it is very easy and convenient to achieve coordination in the early stages of planning and

policy making; once this stage is over, and the execution of the task starts, it becomes difficult to secure coordination.

2.   **Principle of continuity:** Coordination should be an ever-flowing and continuous process. Starting from planning up to control, coordination is essential in the entire process of management. It cannot be temporary or adhoc factor; it has to go on forever, it is continuing process. Every manager should coordinate in all his managerial activities as it is a continuous factor.

3.   **Principle of direct contact**: It is always better for a manager to have direct contact with the people to have effective coordination. It also provides proper feedback and understanding. The problem and the potential can be understood better and undue delay can be avoided.

4.   **Principle of reciprocal relationship**: All the objectives and efforts of different sectors in an organization should be properly blended. Manpower, materials, machinery, money, market, and methodology are interrelated. There should be proper coordination among such factors.

14.7   COORDINATION AND COOPERATION

The distinction between co-ordination and co-operation is important, for one is not a substitute for the other. Co-operation means working together for a common by voluntary action. On the other hand, co-ordination is a process whereby the activities of each individual are consciously directed by the leader toward the completion of a major task in a certain length of time. Secondly, an organization is a consciously coordinated system of cooperative human endeavour focussed towards achievement of certain goals and values. The need for cooperation arises because 'what one cannot do, two can; what one can do, two can do better'. The need for coordination arises due to differential perceptions, orientation, interests and attitudes of individual members of an organization. In the absence of coordination, members are likely to pull in different directions. Coordination is intended to channelize the cooperative efforts and behaviour of people along organizationally determined lines. Co-ordination is superior in order of importance to co-operation.

Coordination	Cooperation
1. It can be called as one of the functions of management.	1. It is not a function of management.
2. It is orderly arrangement of group efforts.	2. It is willingness to work with others.
3. The early success of an organization depends upon the degree of coordination.	3. Cooperation is the basis for coordination.
4. It is obtained officially.	4. It is a voluntary service.
5. There exists a direct link between achievement of objectives & coordination.	5. There is no such direct link between cooperation and achievement of objectives.
6. Coordination is broader in scope than cooperation.	6. It is combined effort of people limiting scope to personal level. It provides foundation to coordination.

14.8   PROBLEMS IN COORDINATION

Factors which make coordination difficult are:

1.   **Lack of administrative talent:** It arises due to selection of inefficient candidates who do not understand the administrative procedure. This results in ineffective coordination.

2.   **Different approaches to same problem**: If different departments look at the same problem differently, then problem of coordination arises.

3.   **Misunderstanding:** If there is lack of understanding among people whose work come across, then problem of coordination creeps in.

4.   **Growing specialization:** Though specialization helps to increase organizational productivity, it also creates problem of coordination. In modern business people working in specialized units tends to develop their own objectives and undertake diversity of task to carry out. Higher the

degree of specialization, more difficult it becomes to coordinate the activities.

5.   **High interdependence among different units and departments:** Since the departments work as cross purposes and depend on each other to achieve the organizational goals, problem of coordination becomes complex.

6.   **Uncertainty about future:** Despite of the fact managers are competent; there are some natural hindrances which may come into the way of coordination like, strikes, lockouts, emergencies like fire or machinery breakdown etc.

7.   **Informal groups:** There exist some informal groups in every formal setup. These informal groups bonded by forces of culture, social, values, religion, region, caste etc affect the ability of managers to coordinate.

14.9   TECHNIQUES OF COORDINATION

Marry Parker Follett, in the discussion on-co-ordination, has presented several fundamental principle of co-ordination: (1) Co-ordination can be achieved by direct contact among the responsible people concerned. She believes that co-ordination can be obtained more easily by direct inter-personal horizontal relationships and direct personal communications, which bring about agreement on methods, actions and ultimate achievement. (2) Co-ordination can be achieved more readily in the early stages of planning and policy making. (3) Co-ordination is a continuing process, something which must go on all the time. (4) Last but not the least, co-ordination is something which cannot be ordered; it is something which is to be brought about by the efforts of the manager as he performs his managerial functions.

The following steps may be recommended to bring about effective co-ordination in an enterprise:

1.   **Simplified organization**. More-often-than-not, over-specialization creates problems of co-ordination. The solution to this problem lies in sacrificing some benefits of specialization by placing closely related function and operation under the charge of an executive who functions as the coordinator. Re-arrangement of the department may also be

considered in order to have closer coordination among the various wings of the organization.

2.   Harmonized programs and policies. Scientific planning can also lead to greater co-ordination. The plans prepared by the different wings of the organization should be checked up for consistency. The plan must be integrated whole and should be prepared by a committee consisting of the representatives from all the departments.

3.   Coordination by communication. Effective communication is a pre-requisite to proper co-ordination. Communication of information is a must for making the necessary adjustments as also for preparing programs for future.

4.   Voluntary Co-operation. Voluntary co-operation of the members can be secured by instilling a sense of involvement among people, encouraging informal contacts to supplemental formal communication, providing liaison men to maintain close contact with the various wings of the organization and using committees for informal exchange of views and suggestions.

5.   Co-ordination through supervision. The supervisors can also play an important role in coordinating the work of their subordinates. In bigger organizations where the workload of the top executive is so heavy that he cannot find adequate time for co-ordination, the services of staff assistance may be utilized to bring about a greater deal of harmony and co-ordination.

6.   Coordination by committees. A committee is a group of experts to whom some matter is given for consideration, advice and decision. Such collective decisions can provide better coordination as the members are involved in careful study of the problem. Care must be taken in selecting the right member, and the number of members should be few.

Check Your Progress-A

1.   State whether the following statements are True or False:

i.   Coordination is the essence of management.

ii.   Communication is one of the elements of coordination.

iii.   Coordination is broader in scope than cooperation.

iv.   Coordination is not required for routine jobs.

v.	Coordination can be established by forming a committee.

2.	Fill in the blanks:

i.	Coordination eliminates the problem of overlapping and _____.

ii.	_____ is willingness to work with others.

iii.	The need for coordination can be understood in terms of interdependence of units, integration of individual with organization and _____.

iv.	Lack of administrative talent is a _____ in coordination.

v.	Principle of _____ states that it is very easy and convenient to achieve coordination in the early stages of planning and policy making.

14.10 COMMUNICATION

The word communication has been derived from the Latin word 'communis' which means common. Thus it strictly stands for sharing of ideas in common. Communication is a process through which two or more persons come to exchange 'ideas' and 'understanding' among themselves. The first thing for communication to take place is the ideas or feelings or facts for the sender to have to be exchanged with the receiver. The second thing is sharing of understanding between the two. Without these two elements communication is not said to exist. According to Louis A. Allen, "Communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding."

14.10.1 Importance of Communication in Management:

Communication is regarded as basic to the functioning of the organization. It is the foundation of all group activity. The importance of communication in management has been widely recognized in recent years and can be judged from the following points.

**(i)	Smooth running of the enterprise** – Every organization, big or small, needs information for successful expedition of the tasks. In an organization we can find that every manager or clerk is busy

with disposal of some sort of communication. A superior wish to delegate some task to his sub-ordinate only through communication. Coordination, which is a pervasive phenomenon, can be established only through communication.

(ii) **Quick decision and implementation**- Communication helps in arriving vital decision. It enables top management to come in closer contact with each other for quick decisions to be taken as well as gaining confidence of others for decisions to be implemented. The relationship between organization and communication is just like relation between soul and human body. Communication acts as a lubricant for the entire organization and keeps personnel working in accordance with the desires of top management.

(iii) **Morale building-** Under the effective system of communication, it is quite convenient for the employees to express their grievance, if any, and get proper adjustment. Most of the conflicts in organization is not because of personal whims and fancy's but because of misunderstandings. Proper communication between the interested parties could help minimize the friction and build employee motivation and morale.

14.11 COMMUNICATION PROCESS

The communication process may involve various elements as shown below:-

Feedback
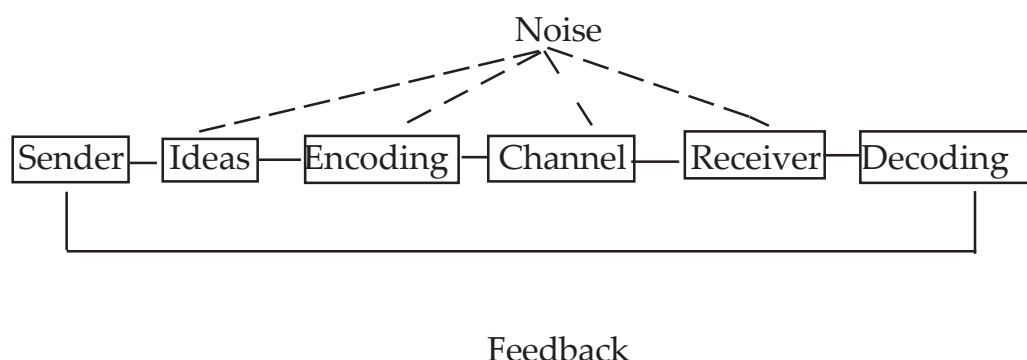
(i) *Sender:* The person who intends to make contact with the receiver with the objective of passing information. It can be managers, non-managers, departments or the organization itself.
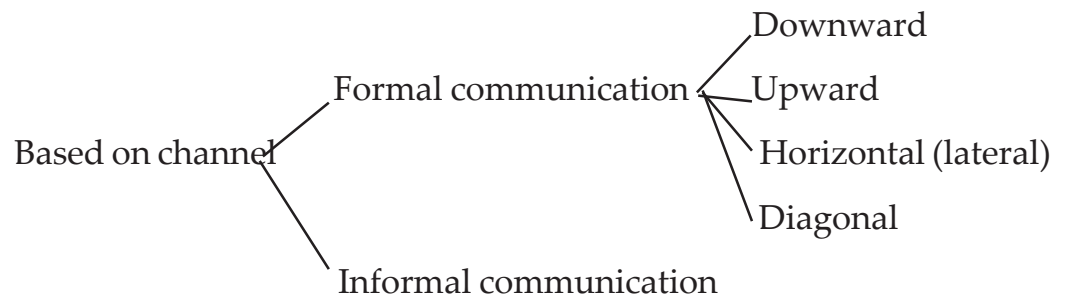
(ii)   **Ideas**: This is the subject matter of the communication. Sender must have some opinion, attitude, feelings, views, and suggestions etc. to communicate. The more clear idea is, the more effective communication becomes. Idea generation depends upon sender knowledge, skills and perception of facts.

(iii)   **Encoding:** Communication requires language to be transmitted. Language is a set of certain symbols such as words, actions; picture etc. Conversion of ideas into these symbols is called encoding. Proper encoding depends upon sender's linguistic capabilities. The result of the encoding process is the message-either verbal or non-verbal.

(iv)   **Channel:** The channel is the carrier of the message which includes face to face communication, radio, telephone, group meetings, computer, video tapes, policy manuals body language etc.

(v)   **Receiver:** Receiver is the person to whom message is meant for.

(vi)   **Decoding:** For communication to be completed, the message must be decoded by the receiver with proper understanding. Decoding is a technical term for the thought processes of the receiver. If involves interpretation by receiver in the light of his previous experience and frame of reference.

(vii) **Feedback:** Feedback is necessary to ensure that the receiver has received the message and understood in the same manner as the sender wants him to understand. It decreases potential for distortion between the intended message and the received message.

(viii) **Noise:** Noise means any physical or psychological disturbance which may arise at any stage leading to misunderstandings one should be aware or these noise (barriers) and should try to avoid/minimize it for effective communication.

14.12   TYPES OF COMMUNICATION

In an organization various patterns of communication are found to exist. We can classify the communication based on following basis:-

Formal communication
- Downward
- Upward
- Horizontal (lateral)
- Diagonal

Based on channel
- Formal communication
- Informal communication

⇒ Based on medium
- Oral
- Written
- Body Language (Kinesics)

Based on phonetic structure
- Verbal
  - Oral
  - Written
- Non-verbal
  - Kinesics
  - Space proxemics
  - Voice patterns
  - Time
  - Touch
  - Colour
  - Layout
  - Design/Graphs
  - Objects
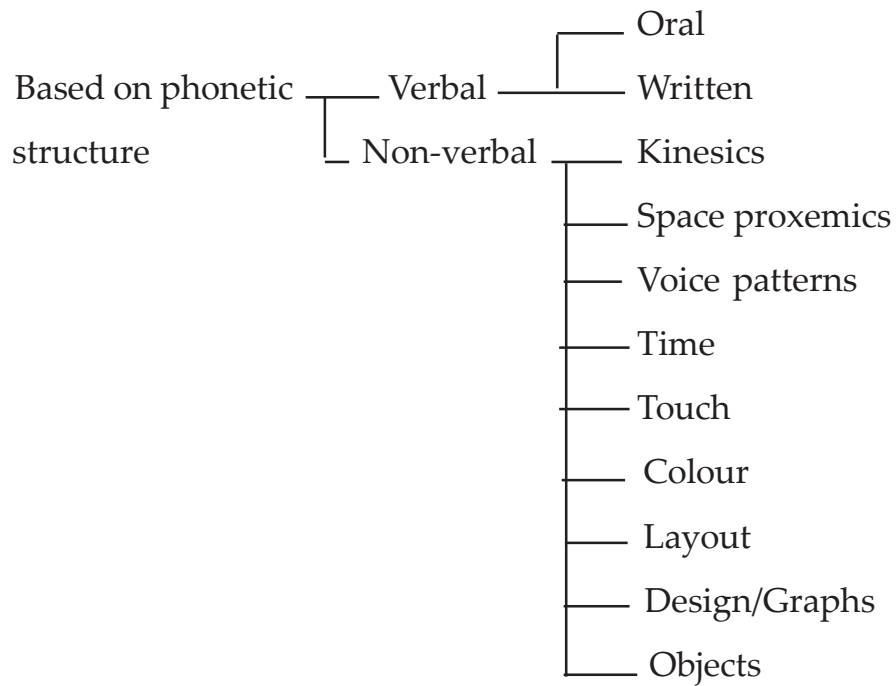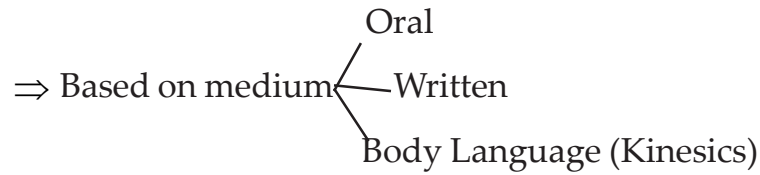
Now let us explain them in brief:

(a) Formal communication

The formal channel, as the very name implies, is the deliberately created, officially prescribed path for flow of communication between the various positions in the organization. It is a deliberate attempt to regulate the flow of organizational communication so as to make it orderly and thereby to ensure that information flows smoothly, accurately and timely to the points to which it is required. Further, it is also intended to prescribe for filtering of the information to various points to ensure that information does not flow unnecessarily thereby causing the problem of overload.

The formal (official) communication in an organization can take place in following directions.

(i) Down ward communication: It takes place from individuals at the higher level to those in the lower levels of the organization. It includes orders and instructions, official memo, policies and procedures, feedback of subordinates performance, reprimands, criticisms, publications, manuals, notices etc.

(ii) Upward communication: It takes place from individuals in the lower levels to those in the organization's higher levels. It includes-suggestions, grievances & complaints, information about sub-ordinates performance, clarification of orders, group meetings etc.

(iii) Horizontal communication: Also called 'lateral' communication, it takes place between individuals of the some hierarchical level. It takes place in form of consultation to furnish social and emotional support.

(iv) Diagonal communication: Although least used channel, it occurs when individual side-step formal channels (for example, a financial Vice-president communicating directly with the sales force of the company).

(b)   Informal Communication

The informal channel of communication, also known as 'grapevine,' is the result not of any official action, but of the operation of social forces at work-place. The term grapevine arose during the days of U.S. Civil War. At that time, intelligence telephone lines were strung loosely from tree to tree in the manner of a grapevine, and the message thereon was often distorted, hence any rumour was said to be from the grapevine. Today the term applies to all informal communication. While formal communication exists to meet the utilitarian needs of the organization, informal communication is the method by which people carry on social, non-programmed activities within the formal boundaries of the system. It, thus, exists outside the official network, though continuously interacting with it. This informal channel is generally multiple in nature: same person having social relationships with a number of people working in the same organization.

Four types of informal communication channels have been identified as shown below:

Single strand   Star (Gossip)   Probability   Cluster
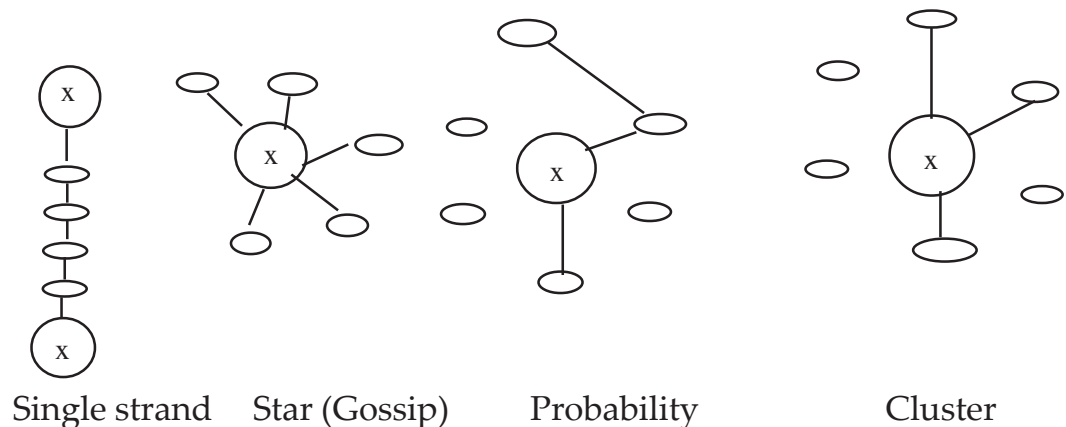
In single strand network, the individual communicates with other individual through intervening person. In star (Gossip) network, the individual communicates non-selectivity. In probability network, the individual communicates randomly with others as per law of probability. In cluster network, the individual communicates with only those individuals whom he trusts. Out of these, cluster is most popular.

(c) Oral Communication

It takes place between sender and receiver through oral words, either face-to-face or through any mechanical or electrical device, such as telephone, wireless etc. Oral communication has high degree of potentiality for speed and complete exchange of information. Feedback is prompt. The impact of oral communication is more if it is supplemented with gestures. Its major limitation is that it becomes time consuming specially in meetings and conferences to reach outcome. Secondly, there are no written evidences of the spoken words. The following are the examples of oral communication:

1. Personal Instructions

2. Lectures, conferences, meetings

3. Interviews, counselling

4. Social & cultural affairs

5. Grapevine, gossip, rumours.

6. Telephonic conversations, movie, slides whistles, bells etc.

(d) Written Communication

This is communication in black and white- written words, graphs, diagrams, pictures etc. It possesses the capacity of being stored for future reference. It is more orderly and binding on sub-ordinates and superiors to take suitable action. However, it suffers from some drawbacks. It is very time consuming, both in preparation of and understanding the message. Also, it is more costly in comparison to oral communication Common forms of written communication are given below:

1. Orders & instructions
2. Letters, memo, circulars
3. Bulletin & notices
4. Posters
5. Hand book & manuals
6. Annual reports
7. House organs
8. Union publications

(e)   Verbal communication

The communication which is expressed in words & language is called verbal communication. It comes in form of either oral or written communication or a combination of both. It is more convenient to measure the effect of communication.

(f)   Non-Verbal Communication

It is the communication which is devoid of words or languages. i.e. it occurs without use of words. It can take several forms as follow:

(i)   Kinesics (Body Language)- It is the communication which takes place though movement of various body parts viz. facial expressions, eye contact, gestures and postures. Facial expressions are often linked to emotions and expresses fear, sadness, happiness, disgust, surprises, anger etc. Eye contact connotes sincerity, interest and honesty but it may have different meanings in different countries. In Korea, prolonged eye contact is considered rude. In Muslim countries eye contact between men

and women is prohibited. Gestures mean movement of various body parts like hands, fingers etc. for example, shaking hands mean welcome, waving hand means bye, thumbs-up signifies good work. A posture means way of walking, standing and sitting. Majestic postures represent confidence.

(ii) Space proxemics- It involves how we arrange personal space and what we arrange in it. Each one of us has four space circles around us intimate, personal, social and public space. Intimate is 1.5 feet circle around us. It exists between mother and child husband and wife etc. Personal space is four feet beyond first circle and may comprise of close friends and relatives. Social space is 4 to 12 feet beyond the first circle and comprises of neighbours, office colleagues etc and public space is 12 to 16 feet beyond the first circle and comprise of general public. For example the distance between minister and public. When two people are talking, the space between them becomes self-explanatory about intimacy.

(iii) Voice patterns – It means, speaking apart from spoken words. It comes in form of paralanguage. There are two aspects of it voice set, which includes intensity, pitch and resonance of voice like oh!, Aah! and, the other is non-verbal vocalization, which includes expression of laughing style, crying style, style of ringing door bell or table bell etc.

(iv) Time (chronemics) - Time itself communicates, for example, office timings are from 8.00am to 5.00pm., lunch time at 1:00pm, exam time of three hours duration etc.

(v) Touch- People often communicates non-verbally by giving soft touch. For example, putting one's palm on other head is an act of blessing patting the back for job well done, shake hand etc.

(vi) Colour- Different colours connote different meaning, for example white indicates peace red indicates anger/stop, green means go through etc.

(vii) Layout – Layout of the room/office connotes status. Big office with lounge, sofa set, secretarial services etc. indicates the room to be of manager and not the clerk.

(viii) Design and graphs/symbols- These are all different type of pictures which are self explanatory. People interpret them correctly only if the meaning of it exists in the mind.

(ix) Object- Objects like letter post box, greeting cards, gifts, which are self contained entities communicates its own meaning.

14.13 BARRIERS IN COMMUNICATION

There might be a number of such barriers impeding the flow of communication in the organization. These may be classified as (i) external (ii) organizational (iii) personal factors. However, such a classification does not suggest that these are mutually exclusive. Rather, such a classification is helpful in understanding the nature of communication barriers.

14.13.1 External Barriers

Barriers to communication may be either external to the parties involved or they might be internal to them. External barriers may affect communication in any context, whether organizational or otherwise. Such external barriers may be in the following forms:

1. *Semantic Barriers.* These are obstructions caused in the process of receiving or understanding of the message during the process of encoding and decoding ideas and words. These barriers arise from the linguistic capacity of the parties involved. Words are the principal communication instrument but a common difficulty with the words is that each word has several meanings. For example, in English language, the word round has seventy five meanings. Thus, words sometimes fail to convey real meanings. Moreover, they work as barriers in communication in the following manner.

(i) *Badly expressed message.* Lack of clarity and precision in a message makes it badly expressed. Poorly chosen and empty words and phases, careless omission, lack of coherence, bad organization of ideas, awkward sentence structure, inadequate vocabulary, platitudes, numbing repetition jargon, and failure to clarify implications are some common faults found in this case.

(ii) *Faulty translations.* Every manager receives various types of communications from superiors, peers, subordinates and he must translate information destined for subordinates, peers and superiors into language suitable to each. Hence the message has to be put into words appropriate to the framework in which the receiver operates, or it must be accompanied by an interpretation which will be understood by the receiver. This needs a high level of linguistic capacity. Approximate understanding of words and the consequent faulty translations lead to impaired efficiency and heavy costs.

(iii) *Unclarified Assumptions.* There are certain uncommunicated assumptions which underlie practically all messages. Though a message appears to be specific, its underlying assumptions may not be clear to the receiver.

(iv) *Specialist's language.* It is often found that technical personnel and special groups tend to develop a special, peculiar and technical language of their own. This increases their isolation from others and builds a communication barrier. Whatever be the intention of this special language, it hinders their communication with persons not in their specialty, because of the receiver's ignorance of that type of language.

2. **Emotional or Psychological Barriers**. Emotional or psychological factors are the prime barriers in inter-personal communication. The meaning ascribed to a message depends upon the emotional or psychological status of both the parties involved. In a communication, apart from the message, there is a meta-message, that is, what one gets out of a message when decoding. Met-message is the most pungent thing in a sweet word language. In getting a meta-message, the emotions of the receiver play a vital role and he may not be at a wavelength as that of the communicator.

The following are some emotional barriers:

(i) *Premature Evaluation.* Rogers and Roethlisberger in 1952 first pointed out this barrier. Premature evaluation is the tendency of prematurely evaluating communications, rather than to keep an uncompromised position during the interchange. Such evaluation

stops the transfer of information and begets in the sender a sense of futility. This barrier can be remedied by "empathy", non-evaluative listening, where the communication is listened to in a non-committal and unprejudiced way, so that sagacious decision and action can follow.

(ii)   *Inattention.* The preoccupied mind of a receiver and the resultant non-listening is one of the major chronic psychological barriers. It is a common phenomenon that people simply fail to react to bulletins, notices, minutes and reports.

(iii)   *Loss by Transmission and poor Retention.* When communication passes through various levels in the organization, successive transmissions of the same message are decreasingly accurate. It is said that in case of oral communications about 30% of the information is lost in each transmission. Even in case of written communication, loss of meaning might occur as far as the appended interpretation, if any, is concerned. Poor retention of the information is again a malady. It is shown that employees retain about 50% of information only, whereas supervisors retain about 60% of it.

(iv)   *Undue Reliance on the written word.* Written word is no substitute for sound face-to-face relationships but a written communication might fail to explain the purpose of order, procedure or directive. Chester Barnard has laid down that a communication must appeal to the receiver as consonant with the organization's purpose and with his own personal interest. Written communication often tells what is to be done, but not why it should be done, and it lacks the persuasive quality.

(v)   *Distrust of Communicator.* It arises out of ill-considered judgments or illogical decisions or frequent countermanding or the original communication by the communicator. Repeated experience of this kind gradually conditions the receiver to delay action or act unenthusiastically, hence making the communication unsuccessful, though apparently it is complete.

(vi)   *Failure to Communicate.* It is quite an accepted fact that managers often fail to transmit the needed messages. This might be because

of laziness on the part of the communicator, or assuming that "every body knows', or procrastination or "hogging" information or deliberately to embarrass.

14.13.2 Organizational Barriers

Major organizational barriers are as follow:

(i) *Organizational Policy*. The general organizational policy regarding communication acts as an overall guideline to everyone in the organization regarding how he is normally expected to behave in this matter. If this policy is not supportive to the flow of communication in different directions, communication flow would not be smooth and adequate.

(ii) *Organizational Rules and Regulations.* Organizational rules and regulations affect the flow of communication by prescribing the subject matter to be communicated and also the channel through which these are to be communicated. The rules may restrict the flow of certain messages and proper channel in a specified way prescribed by these rules delays it and works against the willingness of persons to convey the message.

(iii) *Status relationships.* The placing of people in superior subordinate capacity in the formal organization structure also blocks the flow of communication and more particularly in upward direction. Greater the difference between hierarchical positions in terms of their status, greater would be the possibility of communication breakdown.

(iv) *Complexity in Organization structure.* In an organization where there are a number of managerial levels, communication gets delayed, chances of communication getting distorted are more and the number or filtering points are more. This is truer in case of upward communication, because people generally do not like to pass up the adverse criticism either of themselves or of their superiors.

14.13.3 Personal Barriers

While the organizational factors discussed above are, no doubt, important influences operating on communication, a host of factors internal to the two parties- senders and receiver -to this process also exert

important influences on its operation, as communication is basically an inter-personal process. Here, for the sake of convenience in the analysis, these barriers have been analyzed separately and these are relevant in the case of downward and upward communication.

* Barriers in Superiors

The role of superiors in communication is very vital. Because of their hierarchical relationships with subordinates, they act as barriers in a number of ways discussed below:

(i)   *Attitude of superiors.* The attitudes of superiors towards communication in general or in any particular direction affect the flow of messages in different directions. For example, if this attitude is unfavourable, there is a greater possibility that messages would not flow adequately from and/or to superiors.

(ii)   *Fear of challenge to authority.* A person in the organization always tries to get a higher position and prestige to satisfy his needs. As such, managers in general try to withhold the information coming down the line or going up as frequent passing of information may disclose their weakness.

(iii) *Insistence on proper channel.* One of the basic features of superiors' exercising of the authority is that they wish to remain in communication links and they do not like any type of bypassing in communication. Communication through bypassing may, sometimes, be necessary but superiors treat this as thwarting of their authority and block the flow of communication.

(iv)   *Lack of confidence in subordinates.* Superiors generally perceive, correct or otherwise, that their subordinates are less competent and capable, they are not able to advise superiors or they may not have some information coming downwards.

(v)   *Ignoring communication.* Sometimes superiors consciously and deliberately ignore the communication from their subordinates to maintain their importance. This works against the willingness of subordinates to communicate.

(vi) *Lack of time.* Superiors feel, whether correct or otherwise, that they are overburdened with the work and they have little time to talk to their subordinates.

(vii) *Lack of awareness.* Sometimes, superiors may lack the awareness about the significance and usefulness of communication in different directions in general or of particular subject-matter. In such a case, communication flow is blocked.

* Barriers in Subordinates

(i) *Unwillingness communicates.* Sometimes, subordinates do not communicate upwards certain information because they are not willing to do so. Thus, if a subordinate feels that he is likely to be adversely affected by a particular piece of information to his superior, he would not be willing to communicate.

Lack of proper incentive. Lack of motivation to communicate also refrain subordinates to communicate upwards. The reward and punishment system of the organization is more responsible for this. Thus, if a novel suggestion by a subordinate does not evoke any attention from the organization, he would not convey it.

14.14   MAKING COMMUNICATION EFFECTIVE

Considering the importance of effective communication in the successful functioning of business organizations, it is essential on the part of management to overcome these barriers and make it effective. The major efforts for making communication effective are as follows:

1.   *Purpose of Communication.* Every communication has some purpose; the basic purpose of any communication is to get behavioural response from the receiver of the communication. However, the ultimate objective may be extended further, for example, getting an order accepted by the subordinate. The communication should be directed towards this objective by the efforts of communicator.

2.   *Clarity in ideas.* The communicator should be quite clear about what he wants to communicate. Communication is a process starting with ideation which includes generation of ideas which are meant for communication. This is the subject matter of communication

and may include opinions, attitudes, feelings, views suggestions, orders, etc.

3. *Empathy in communication.* The way for effective communication is to be sensitive towards receiver's needs, feelings, and perceptions. This is what psychologists call empathy in communication, implying putting legs in other's shoes, or projecting oneself into the viewpoint of the other person. When the sender of the message looks at the problems from the receiver's point of view, many of the misunderstandings is avoided.

4. *Two-way communication.* Communication is a two-way traffic and this fact must be realized in communication. Two-way communication brings two minds together which is the basic core of any communication. It involves a continuous dialogue between sender and receiver of the message. Upward communication can become a reality in the organization and effective if this fact is recognized.

5. *Appropriate Language.* The subject-matter of communication is transmitted by decoding it into some symbols. Such symbols may be in the form of words, either spoken or written, pictures, and gestures. If the words are used, the language used for communication should be such which is understandable by the receiver. Technical terminology and multi-syllable words may be impressive looking, but they can also be troublesome to the listener. One way of making the communication simple is to use repetitive language with which the receiver is quite familiar.

6. *Supporting words with action.* Often it is said that action speaks louder than words. While communicating, the sender may use the actions to emphasize a point. This enhances the understanding as well as emphasizes the important point in communication. Further, the sender of the message must also follow in action what he says to others. This will ensure the seriousness in communication.

7. *Credibility in communication.* One criterion for effective managerial communication is that it has credibility or believability. The

subordinates obey the orders of the superior because he has demonstrated through his competence that he is worthy for trust. He must also maintain his trust and credibility. Thus any communication which is based on this trust and credibility will be followed by the subordinates.

8. *Good Listening.* A communicator must be a good listener too. By this process, he is not only giving chance to others to speak but he gathers useful information for further communication. By concentrating on the speaker's explicit and implicit meanings, the manger can obtain a much better understanding of what is being said.

Check Your Progress-B

1. State whether the following statements are True or False:

i. Informal communication channels are faster than formal communication channels.

ii. Vertical communication spreads information across the hierarchical levels.

iii. Informal communication is an impersonal form of communication.

iv. Rumors are likely to spread in grapevine communication.

v. Error arising in encoding and decoding of message is called semantic barrier.

2. Fill in the blanks:

i. Sharing of understanding is called _____.

ii. Physical or psychological disturbance in communication process is called _____.

iii. Poster is a type of _____ communication.

iv. Communication through body language is called as _____.

v. Inattention is a type of _____ barrier.

14.15   SUMMARY

Modern business organization is based on principles like division

of work, departmentation, decentralization, delegation which function to achieve common objectives. In all these places different persons work in different capacities. Blending all such functions together is possible only through coordination. Coordination is the task of arranging group efforts in an orderly manner. It aims at achieving unity of objectives and is pervasive at all levels and in all departments. It is often considered as an essence of management rather than a function of management. The elements of coordination are cooperation, good human relations, understanding and communication. The need for coordination can be understood in terms of three categories: division of labour, interdependence of units or departments and integration of individual with organization. Coordination becomes functional if it is based on principles of early start, continuity, direct contact and reciprocal relationship. Problems which arise in maintaining coordination could be removed by applying four main techniques viz. coordination by hierarchy, coordination by committees, coordination by communication and voluntary cooperation.

Communication is used by managers as an important tool of coordination. Communication is a process through which two or more persons exchange ideas and understanding among themselves. The process of communication requires encoding of ideas by sender which is send to the receiver through some channel to be decoded. Communication can be classified based on channel as formal and informal; based on medium as oral, written and body language and, based on phonetics structure as verbal and non-verbal. The flow of communication can be affected by certain barriers like external, organizational and personal. External barriers are of two types- semantic and psychological; organizational barriers arise due to non supportive organizational policies, rules and regulations, status imbalance and complexity of organization structure. Personal barriers exist due to personality and attitude of superiors as well as subordinates. These barriers could be overcome by understanding the purpose of communication, having clarity of ideas, observing empathy, promoting two way communications, using appropriate language, supporting words with actions, maintaining credibility of communication and by being a good listener

14.16   KEYWORDS

- **Coordination:** Managerial effort to ensure unity of action is known as coordination. It is the management of interdependence in work situations.

- **External coordination:** to survive, an organization has to interact with the dynamic external environmental forces. The process of integrating the organization with external forces is called external coordination.

- **Internal coordination**: When vertical coordination (between different levels) and horizontal coordination (between departments on the same level) are both accomplished within an organization, it is called internal coordination.

- **Unity of action**: Unity of action is ensured by channelizing individual and group efforts towards accomplishments of organizational objectives.

- **Cooperation**: Cooperation means working together for a common cause by voluntary action. It is willingness to work with others.

- **Communication:** Communication is sharing of understanding. It is the process of interaction with people and the environment. Through such interaction, two or more individuals influence the ideas, beliefs, and attitudes of each other.

- **Verbal communication**: Verbal communication is the use of words and languages between two or more individuals for interaction. It can be either oral or written.

- **Non-verbal communication:** This communication is devoid of words. It sensitizes one's senses and thereby evokes responses. It is often referred as body language.

- **Communication barriers:** communication barriers are the result of several inadequacies that tend to distort communication and affect the ability of managers to achieve organizational goals.

14.17   IMPORTANT QUESTIONS

1.   "Coordination is considered as an essence of management".

Elaborate.

2. Define coordination and discuss the techniques of coordination.

3. Differentiate between coordination and cooperation. How does coordination establish unity in diversity?

4. State the role of coordination in management. What are the principles and techniques involved in securing coordination in organization structure?

5. What are the problems in coordination? How can we overcome them?

6. In what ways communication is important for effective managerial performance? As a manager, how will you ensure effective communication in your organization?

7. Describe communication process. Identify its key elements. Discuss the importance of feedback in communication.

8. What are the different types of communication? Explain with examples.

9. What are the common barriers to effective communication? How can we overcome them?

ANSWERS TO CHECK YOUR PROGRESS

A. 1. (i) True (ii) True (iii) True (iv) False (v) True

2 (i) Duplication (ii) Cooperation (iii) Division of labour (iv) Problem (v) Early start

B. 1. (i) True (ii) False (iii) False (iv) True (v) True

5. 2. (i) Communication (ii) Noise (iii) Written (iv) Kinesics (v) Psychological

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UNIT 15   CONTROL

Unit Structure

15.0   INTRODUCTION

Control is one of the most important functions of management. In the past, it was believed that control is required only when something goes wrong. The persons were held responsible and action taken against them. But this is a negative view of control. Today, control is used scientifically to bring to light the variations as soon as they appear between performance and standard. Thus, now control in aimed at results and not people. All organizations need to develop control system because resources are scare. Planning process guides how to utilize the

resources, controlling ensures that they have been utilized in the same way as planned. In this unit we shall discuss the proper way to design and implement a control system.

15.1 OBJECTIVES

The objectives of this unit are:-

- To give brief overview of controlling function.

- To give an understanding about control process.

- To make one understand about pre-requisite of controlling

- To examine human response to control

- To study types of control

15.2 MEANING OF CONTROL

Control is a process of monitoring activities to ensure that they are being accomplished as planned and of correcting any significant deviation.

Control is any process that guides activity towards some predetermined goals. Thus control can be applied in any field such as price control, distribution control, pollution control, etc. However, control as an element of management process can be defined as the process of analyzing whether actions are being taken as planned and taking corrective actions to make these to conform to planning. Thus control process tries to find out deviations between planned performance and actual performance and to suggest corrective actions wherever these are needed.

Controlling as a function carries following features:

1. Control is forward looking because one can control future happenings and not the past. However, on control process always the past performance is measured because no one can measure the outcome of a happening which has not occurred. In the light of these measurements, managers suggest corrective actions for future period.

2.   Control is an executive process as each manager has to perform control function in the organization; however the limit of this control may vary according to the hierarchical level.

3.   Control is a continuous process. Though control is exercised at the point of action but it follows a definite time-table based on per month or per annum basis.

15.3   IMPORTANCE OF CONTROL

In an organization effective plans are created to achieve goals, employees are motivated through effective leadership, communication patterns are established, but still there is no assurance that activities will go as planned and the goals will be achieved. Therefore, control is important because it is a final link in management functions. It is the only way managers know whether goals are being met and, if not, the reasons, why. Control provides the critical link back to planning.

Another reason why control is important is that managers delegate authority and empower employees. But many managers are reluctant to delegate as they fear that employees will do something wrong for which they will be held responsible. This reluctance, however, can be reduced if managers develop an effective control system which can provide information and feedback on performance.

15.4   NATURE OF CONTROLLING

Control is an influential process to structure and condition the behaviour of people and events, to place restraints and curbs on undesirable trends, to induce people to conform to certain norms and standards, to gain command over the force of uncertainty and turbulence and to shape the pace and pattern of future events.

Control is closely related with other functions of management. It can be described as below:

1.   *Planning as the basis:* Control function is based on planning. In fact these two terms are often used interchangeably. Plan directs the behaviour and activities in organization, control suggest measures to remove deviation. Planning process provides goals; control uses goals to create standards. Thus planning offers and

affects control and much information provided by control are used in planning. Thus reciprocal relationship exits.

2. *Action as the essence*. Control basically emphasizes what action can be taken to correct the deviation that may be found between standards and actual results. It ensures desirability of a particular action.

3. *Delegation as the key:* A manager in the organization gets authority through delegation. In the absence of adequate authority, a manager is unlikely to take effective steps for correcting the deviations in the process of analysis. Some factors are controllable and some are uncontrollable. A managers action is likely to more effective if more factors are controllable by him.

4. *Information as the guide:* Control action is guided by the information. MIS and management control system helps in controlling. Every manager in the organization must have adequate information about his performance and also how he is contributing to the achievement of the objectives. Effective control system ensures both, type of information a manger needs and, timeliness of information. Accurate information definitely acts as a guide to control.

15.5   CONTROLLING PROCESS

The figure identifies the various steps in control process which are necessary for its relationship to planning. These steps may broadly be classified into four parts: (i) establishment of control standards, (ii) measurement of performance, (iii) comparison between performance and standards and the communication, and (iv) correction of deviations from standards.

Desired Performance	Implementation corrections	Corrective Action plan	Analysis of causes of deviations
Actual performance	Measurement of performance	Comparison of actual & standard	Identification of deviation
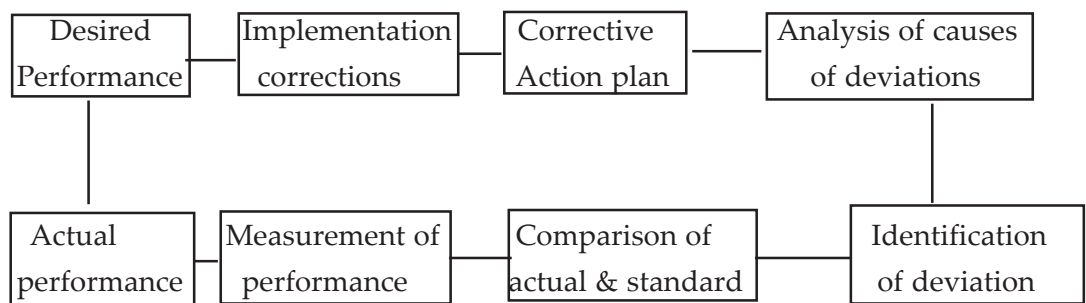
Management control process

1. *Establishment of Control Standards.* Every function in the organizations begins with plans which are goals, objectives, or targets to be achieved. In the light of these, standards are established which are criteria against which actual results are measured. For setting standards for control purposes, it is important to identify clearly and precisely the results which are desired. Precision in the statement of these standards is important. In many areas, great precision is possible. However, in some areas, standards are less precise. Standards may be precise if they are set in quantities- physical, such as volume of products, man-hour or monetary, such as costs, revenues, investment. They may also be in other qualitative terms which measure performance.

    After setting the standards, it is also important to decide about the level of achievement or performance which will be regarded as good or satisfactory.

    The level should have some amount of flexibility also, and should be stated in terms of range maximum and minimum as shown below:

	Upper Limit	
Acceptable Range	Performance Data	
	Lower limit	

Time or quantity
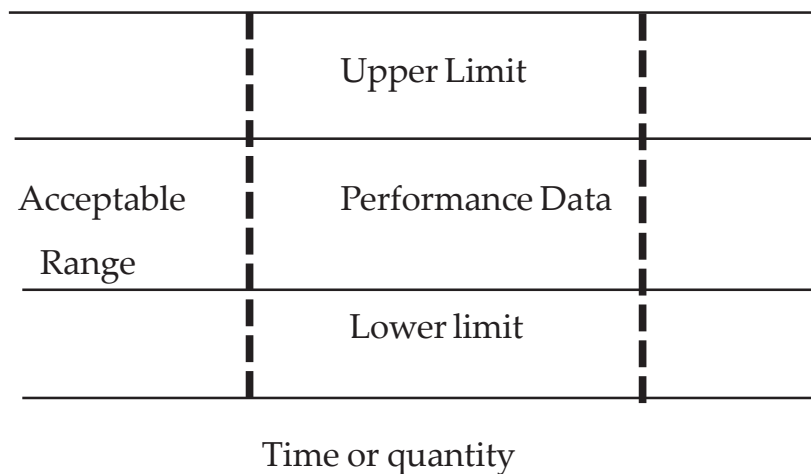
2. *Measurement of Performance.* The second major step in control process is the measurement of performance. The step involves measuring the performance in respect of a work in terms of control standards. The presence of standards implies a corresponding ability to observe and comprehend the nature of existing conditions and to ascertain the degree of control being achieved.

The measurement of performance against standards should be on a future basis so that deviations may be detected in advance of their actual occurrence and avoided by appropriate actions. If standards are properly determined appraisal of actual or expected performance becomes an easy task. It means, if standards are expressed in physical & monetary terms such as, units, volume, profits etc, performance can be measured precisely.

3. *Comparing Actual and Standard performance*. The third major step in control process is the comparison of actual and standard performance. It involves two steps: (i) finding out the extent of deviations, and (ii) identifying the causes of such deviations. When adequate standards are developed and actual performance is measured accurately, any variation will be clearly revealed.

However, standards may not be achieved in all cases and the extent of variations may differ from case to case. Naturally, management is required to determine whether strict compliance with standards is required or there should be a permissible limit of variation. In fact, there cannot be any uniform practice for determining such variations. Such variations depend upon the type of activity. For example, a very minute variation in engineering products may be significant than a wide variation in other activities.

When the deviation between standard and actual performance is beyond the prescribed limit, an analysis is made of the causes of such deviations. If variation is caused by controllable variable, the person is responsible. In case of uncontrollable variables certain adjustments should be made in standards. Measurement of performance must be communicated to the person who can take corrective action.

4. *Correction of deviations.* This is the last step in the control process which requires that actions should be taken to maintain the desired degree of control. Such control action may be (i) review of plans and goals and change there in on the basis of such review; (ii) change in the assignment of tasks; (iii) change in existing techniques of direction; (iv) change in organization structure; provision for new facilities, etc.

15.6   METHODS OF CONTROL

In order to ensure that the organizations run smoothly, they follow certain methods of control as listed below:

1.   **Policies:** Policies are important tool for control. They are the guidelines for future action. Policy is a type of standing plan and is included in planning function, whereas implementing a policy is a part of the control function. It is used as a method of concurrent control.

2.   **Job description:** It describes duties, authority and responsibilities of job holder and thus acts as a tool for controlling performance of the individual. Concurrent control makes use of job descriptions.

3.   **Quality check of raw material**: Setting quality standards for materials used in production process makes the control system practical and result oriented. Quality checks are done to ensure defective supply of items. Limits of acceptable deviations are defined and materials are inspected based on random sample. If the deviations are more than the acceptable limits, the order is rejected. It is a type of feed-forward control system where managers anticipate the problems and correct them before the production process starts.

4.   **Budget:** Budgets are the means of controlling the financial resources. It is the statement of expected results expressed in numerical terms. Budget plays a dual role; it is planning instrument on one hand (preparation of budget is planning) and control device on the other. It provides a means for controlling operations. A standard budget item list can serve as a checklist for the managers to ensure that all items are considered. The budget includes ratio or percentage of expense for each item and therefore, restricts the manager to go beyond it. Thus it becomes important tool in concurrent control.

5.   **Audit:** Audit is done to evaluate the efficiency of a project or a programme. It is also called operation audit or internal audit. Auditing evolved as a branch of accounting and its scope was limited to verification of accounting transactions. But now the scope has been enlarged and it is associated closely with every activity of the enterprise which contributes to its profitability. For example, a management audit focuses on the efficiency of doing a project and may go in for material

audit, human resource audit etc. A financial audit examines the financial
aspects of the project and may go in for cost-benefit analysis, interpreting
various ratios etc.

6.   Standard cost analysis: Standard costs are predetermined costs
as per the industry standard. For example, labour cost is predetermined
in manufacturing sector, power sector, service sector, construction
business etc. In real estate, such cost is 40 percent and in call centre it is
30 percent. This method enables a manager to compare actual cost with
the standard cost and understand the reasons for variances and take
decision accordingly. It is a type of feedback control method.

7.   Employee performance evaluation: Attainment of organizational
goals depends largely on its employee's performance. Measuring employee
performance is a tedious task as it is difficult to develop objective
standards. Scientifically, the most effective way to develop performance
standards is individual Key Performance Areas (KPAs) in qualitative and
Key Result Areas (KRAs) in quantitative terms. Another approach to
evaluate performance is comparing it with labour productivity ratios
which are developed either internally or by benchmarking or comparing
with other organizations.

8.   Impact assessment: It is a method of analysing the impact of
management decisions. Many organizations, through analysis of their
decisional impact, try to measure the implications of their plans and how
far the planned objectives are met. Control is accordingly enforced through
alteration of plans. For example, when Mediassist decided to introduce
medical services for its members, there were some problems due to
inadequate hospital support in B and C class cities at customers' end.
The company decided to enrol reputed hospitals in those cities and remain
connected online for fund transactions and handling customers' queries.
Hence impact assessment helped in effective control of customer services.

9.   Graphic charts and diagrams: Graphical charts, graphs and
network diagrams help employees to visualize the relationship of activities
and the time requirement for each operation. It helps the employees to
understand when to start the activity, when to wait for the other activity
to complete, what activities are critical etc and thus enforcing control
based on time factor.

15.7 CRITICAL POINT CONTROL

When company is small in size managers might control operations through careful personal observation. When the company grow in size and the operations become complex, managers have to do much more than personally observing the operations. He then chooses points for special attention and then watches them to be sure that whole operation is proceeding as planned. These points of limiting factor are called *critical points* of control. These are the critical areas of control which best reflects the organizational goals. Poor performance in these areas indicates deviations from the standards and requires the control system. This is called the principle of critical point control which states *"effective control requires attention to those factors critical to evaluating performance against plans"*.

Selecting a critical point of control is an art. It depends upon one's ability to do so. In this connection managers must ask themselves such questions as: What will best reflect the goals of my department? What will best show me when these goals are not being met? What will best measure critical deviations? What will tell me who is responsible for any failure? What standards will cost the least? For what standards is information economically available?

15.7.1 Features of Critical Points

Critical points of control carry the following features:

1. Critical points are related to important and vital areas of operation. For example, critical point in production process is input because output depends on quality and quantity of input.

2. Critical points aim at preventing the damage rather than curing it. In production process huge amount of capital is invested. If quality checks are done after production, defects in the product will make the entire batch useless and the money invested becomes expenditure. Many companies therefore run sample production to test for quality before going for actual production at mass scale.

3. Critical points aim at indicating financial performance of the company before preparing financial accounts. Checking of

accounts at regular intervals prevents company from incurring losses.

4. Critical point relate not only to tangible features viz. production, sales, profits; but also to intangible features viz. competence of manager, behaviour of employee, attitude etc.

15.7.2 Types of Critical Point Standards

Every objective, goal, policy, procedure, budget of a planning program becomes standards against which performance can be measured. In practice, the critical point standards tend to be of following types:

1. **Physical standards:** These are non-monetary standards and are commonly used at operating level where materials are used, labour is employed, services are rendered, and goods are produced. They are expressed in quantities such as, labour hours per unit of output, units of production per machine hour, quantity of fuel per horsepower produced etc. Physical standards may also reflect quality, such as hardness of bearing, durability of fabric, fastness of colour etc.

2. **Cost standards:** These are monetary standards which are also used at operating levels. They are expressed in monetary value such as direct and indirect cost per unit produced, labour cost per unit, material cost per unit, selling cost per unit of sales etc.

3. **Capital standards:** These are application of monetary measurements to physical items. They are related to capital invested in the firm rather than the operating cost and are therefore primarily related to the balance sheet rather than to income statement. Most widely used standard is return-on-investment. Other capital standards are ratios such as current asset to current liability, fixed investment to total investment, cash and receivables to payables, notes or bonds to stock, size and turnover of inventories etc.

4. **Revenue standards:** They arise from attaching monetary values to sales. For example, revenue per passenger per mile, average sale per customer, sales per capita etc.

5.   **Program standards:** They are related to some activity with subjective judgements, for example, a manager has to develop a variable budget for sales training program or for development of new product, or for improving performance of sales force etc. Though such programs carry subjective judgements, timing, quantity of material required and other factors can be used as objective standards.

6.   **Intangible standards:** These are difficult to express as they do not involve physical or monetary values. For example, standard of competence for manager, standard for advertising campaign to meet objectives, standard to measure public relation program of company, loyalty of supervisors towards company etc.

7.   **Goals as standards**: With the approach of MBO and developing means-end chain in hierarchy of objectives, goals are used as performance standards at all levels of management. Quantitative goals take the form of standards outlined above. But qualitative goal is a challenge to fix as tangible standard. It depends upon situation or program. For example, sales training program is spelled out to train sales personnel with some specific characteristics, and these characteristics themselves furnish standards and tend to become objective and therefore tangible.

15.8 MANAGEMENT (CONTROL) BY EXCEPTION

Controlling everything may end up with controlling nothing. It is practically not possible to control every activity of the organization within the constraints of resources- time, money, materials etc. If everything goes as per plan, there is no need to report to the top managers as it is only a routine. But when deviations are significant, either good or bad, beyond the acceptable range, then it should be reported to the top management. The principle of management by exception states that managers should concentrate only on the significant deviations rather than each and every activity of the organization. This principle carries certain benefits. Firstly, by doing so, managers save their time and effort. Secondly, it leads to optimum utilization of resources. Thirdly, it helps to categorize what is significant

and what is not, and fourthly, it provides an opportunity to the lower level managers to exercise their authority in dealing with simple and routine problems.

Management by Exception is closely associated with Critical Point Control. While critical point determine the areas which need attention to control by managers, management by exception principle determines the extent of deviations occurring at the critical points. It thus serves as a performance appraisal technique for critical point control.

Check Your Progress-A

1.   State whether the following statements are True or False:

i.   Control in aimed at results and not people.

ii.   The measurement of performance against standards should be on a past data basis.

iii.   Delegation is the key to control.

iv.   Revenue standards arise from attaching monetary values to sales.

v.   Critical points aim at preventing the damage rather than curing it.

2.   Fill in the blanks:

i.   _____ standards are difficult to express as they do not involve physical or monetary values.

ii.   Standards may be precise if they are set in _____.

iii.   Control action is guided by the _____.

iv.   _____ standards are monetary standards which are also used at operating levels.

v.   _____ are the means of controlling the financial resources.

15.9   PLANNING AND CONTROL RELATIONSHIP

Planning is the first managerial function and controlling is the last. In between the two lie organizing, staffing, directing and coordination functions which take care of optimum and effective use of resources during the process. Both planning and control are linked. The manager monitors the results to achieve the goals laid in the plans. Controlling provides

feedback to the plans by pointing out exceptions in the planned performance. It provides an opportunity to the planners to correct their future plans according to the deviations pointed out.

In planning objectives are defined and standards of performance are prepared for individuals and departments. In control, the actual performance is measured against the standards, deviations are noted and causes for such deviations are pointed out. This information is given as a feedback to planners to rectify the standards. Thus planning and control are inter-related, interdependent and interactive. Control is not possible unless plans are made. Similarly future planning is not possible unless the control system checks deviations in the performance. Both planning and control provide the basis for each other. Planning identifies actions and controlling ensures that actions are carried out. Controlling helps managers in revising the plans or abandoning them altogether. Planning provides the framework for achieving performance; control evaluates the present and takes action to regulate the future. Thus planning is forward looking while control is both looking back and looking forward.

15.10   TYPES OF CONTROL

There are three phases in production cycle- input, transformation and output. The control associated with these phases is feed forward, concurrent control and feedback control. These three types of control are explained as below:

1.   **Feed-forward control**: The control that takes place before work is performed is called feed-forward control or pre-control or preliminary control. Inputs like men, money, machine, material are required before we begin the production process. Feed-forward control checks these inputs in the light of standards and rejects those which can lead to defective output. Feed-forward control ensures that human resources meet the job requirements, materials meet acceptable levels of quality and are available at the right time and place, equipments are on hand when needed, and financial resources are available in the right amount and at the right time. Managers using this type of control create policies,

procedures and rules aimed at eliminating behaviour that will cause undesirable work results.

Feed-forward control can be applied at operating level and strategic level. At operating level, managers anticipate problems and take preventive measures. Preparing budget is the most common technique of predicting future activities and their impact on present activities. If managers foresee cash deficit in future, they make necessary arrangements to meet this deficit. At strategic level, managers anticipate environmental changes like, socio-economical, political legal, technological, that will affect organizational policies. Feed-forward control prepares the managers to face these changes and incorporate them in the operative plans so as to achieve organizational goals.

The purpose of feed-forward control is prevention rather than cure. It does not correct deviations but prepares the managers to be ready to prevent them from occurring.

2. **Concurrent control:** Control that takes place as work is being performed is called concurrent control or monitoring. Concurrent control examines actual ongoing operations to ensure that objectives are met. Concurrent control is more practical than feed-forward control because it checks the work in progress whereas, feed-forward control is based on anticipation of future activities and; the future is not certain. Concurrent control helps in deciding whether production process should be carried further or stopped to remove the deviations first and then take a start. Concurrent control is implemented through directing activities of managers. They check whether machinery is working properly or not, employees are showing best behaviour at work or not, whether work is proceeding in the manner defined by policies and procedures or not. The delegation of authority provides managers the power to use financial and non-financial incentives to achieve concurrent control. The standards for directing are derived from job description and policies established by the planning function.

3. **Feedback control**: Control that concentrates on past performance is called feedback control. It focuses on end results. Feedback control

analyses the final output, compare it with standards, find deviations and check the causes of deviations. It cannot correct the past performance but directs the corrective action at either improving the process of resource acquisition or modifying future operations. Managers exercising this type of control attempts to take corrective action based on organizations' historical results over a specified time period. The methods employed in corrective action include cost-benefit analysis, audit, quality control, performance evaluation, and impact assessment.

The exhibit below explains the three types of control based on stages of production:

Stages of production	Types of control	Process of enforcing control
Inputs:· • Capital • Labour • Raw material • Market information • Equipment • Knowledge	Feed-forward control	By monitoring inputs in conformity with the standards before they are used in the process of transformation.
Transformation process • Planning • Organizing • Staffing • Directing • Controlling	Concurrent control	By monitoring and regulating stage-wise activities that form a part of the transformation process to ensure that activities conform to the prescribed organizational standards.
Outputs: · • Goods • Services • Profits • Waste material/ scrap appraisals	Feedback control	By checking the final outputs- goods or services- to understand the degree of conformance to standards and goals.

(Source: Dipak K. Bhattacharyya, Principles of Management, Pearson)

15.11   LEVELS OF CONTROL

The focus of control is exercised at following three levels:

1.   Operating level controls: As the name signifies, controls at operating level are exercised by lower level managers. They look after day-today activities of the firm and monitor physical resources like machines & equipments, raw material, semi-finished & final goods; human resources which refers to recruitment, selection, training, performance appraisal, compensation etc; information resources accessing right type of information at the right place and at the right time; and financial resources through methods of budget, ratio, financial audit etc.

2.   Tactical level controls: Controls at tactical level are exercised by middle level managers. They monitor departmental objectives, departmental activities and performance at regular intervals.

3.   Strategic level controls: These controls are exercised by top level managers. They monitor the impact of various environment related factors like technology, competition, suppliers, customers, government orders etc on company. If environment is stable, monitoring is done at longer intervals but if, environment is unstable then frequent monitoring at shorter levels is performed.

15.12 PRE-REQUISITES FOR ADEQUATE CONTROL

Certain requirements or pre-requisites for adequate control are:

1.   *Reflecting organizational needs.* All control systems and techniques should reflect the jobs they are to perform. There may be several control techniques which have general applicability, such as, budgeting, costing etc. However; it should not be assumed that these may be utilized in all situations. The managers should choose an appropriate tool for control which helps him in controlling actions according to plans.

2.   *Forward Looking*. Control should be forward looking. Though many of the controls are instantaneous, they must focus attention as to how future actions can be conformed to plans. In fact the control system should be such that it provides aid in planning process.

3. *Promptness in Reporting Deviations.* The success of a thermostat lies in the fact that it points the deviation promptly and takes corrective actions immediately. Similarly, and ideal control system detects deviations promptly and informs the manger concerned to take timely actions. This is done through designing good appraisal and information systems.

4. *Pointing out Exceptions at Critical points.* Control should point exception at critical points and suggest whether action is to be taken for deviations or not. Some deviations in the organizations have no impact while others; though very little in quantity may have great significance. Thus; control system should provide information for critical point control and control on exception. The critical point control stresses that effective control requires attention to those factors critical to appraising performance against an individual plan. The control on exception requires that a manager should take corrective action when there is exceptional deviation. The more a manager concentrates his control efforts on exceptions, the more efficient will be the results of this control.

5. *Objectives.* The control should be objective, definite, and determinable in a clear and positive way. The standards of measurement should be quantified as far as possible. If they are not quantifiable, such as training effectiveness, etc. they must be determinable and verifiable.

6. *Flexible.* Control system should be flexible so that it remains workable in the case of changed plans, unforeseen circumstances, or outright failures.

7. *Economical.* Control should be economical and must be worth its costs. Economy is relative, since the benefits vary with the importance of the activity, the size of the operation, the expense that might be incurred in the absence of control, and the contribution the control system can make.

8. *Simple.* Control system must be simple and understandable so that all managers can use it effectively. Control techniques which are complicated such as complex mathematical formulae, charts, graphs, advanced statistical methods and other techniques fail

to communicate the meaning of their control data to the managers who use them.

9. *Motivating*. Control system should motivate both controller and controlled.

Check Your Progress-B

1. State whether the following statements are True or False:

i. Control is both looking back and looking forward.

ii. Concurrent control helps in deciding whether production process should be carried further or stopped.

iii. Feed-forward control can be applied at operating level and strategic level.

iv. Control system is standard and is therefore not flexible.

v. Controls at tactical level are exercised by lower level managers

2. Fill in the blanks:

i. Control provides the critical link back to _____.

ii. _____ control finds deviations and checks the causes of deviations.

iii. At _____ level, managers anticipate environmental changes.

iv. Good control system should be able to point out _____ at critical points.

v. If environment is stable, monitoring is done at _____ intervals.

15.13   SUMMARY

Controlling as a managerial function measures the performance and corrects the deviations in order to ensure that enterprise objectives are accomplished as per plans. Control is closely related to other functions of management- planning act as the basis, action as the essence, delegation as the key and, information as the guide. The basic control process involves four steps: (i) establishing standards (ii) measuring performance (iii) comparing performance against standards, and (iv) correcting deviations. There are various methods of control- budgetary and non-

budgetary. Similarly there are different kinds of standards and they should point out deviations at critical points. Control by Exception determines the extent of deviations occurring at the critical points.

Managerial control is usually perceived as feedback system. No matter how quickly information is provided, there are delays in analysing and taking corrective action, causing delay in the process. To overcome the time lag, one should rely on feed-forward control which checks the inputs before it leads to defects in outputs. The concurrent control method is applicable during the work-in-progress. The focus of these control methods are exercised at operating level, tactical level and strategic level. A good control system should reflect the organizational needs, should be forward looking and prompt in reporting deviations. It should be able to point out deviations at critical points, must be flexible, simple and economic in use.

15.14   KEYWORDS

- **Control:** It is function of management that involves measuring performance of subordinate against standards, finding deviations if any, and correcting deviations so as to ensure that the organizational objectives are achieved.

- **Critical Point Control**: It is effective control that requires attention to those factors critical to evaluating performance against plans.

- **Management by Exception:** The principle of management by exception states that managers should concentrate only on the significant deviations rather than each and every activity of the organization.

- **Feed-forward Control:** The control that takes place before work is performed is called feed-forward control or pre-control or preliminary control.

- **Concurrent Control:** This type of control focuses on assessing the implementation of tactical plans at departmental levels, monitoring results, and taking corrective actions, if any.

- **Feedback Control:** Feedback control analyses the final output, compare it with standards, find deviations and check the causes of deviations. It cannot correct the past performance but directs the corrective action at either improving the process of resource acquisition or modifying future operations.

15.15 IMPORTANT QUESTIONS

1. Define control and discuss its nature an importance.

2. In what way are planning and control related to each other? Explain clearly the essential steps in control process.

3. Explain the principle of critical point control. State the features of critical points and the levels of control.

4. "Trying to control everything may end up in controlling nothing". Explain.

5. Define controlling and explain the different methods of doing it?

6. Discuss the pre-conditions required for achieving adequate control.

ANSWERS TO CHECK YOUR PROGRESS

A. 1. (i) True (ii) False (iii) True (iv) True (v) True

2 (i) Intangible (ii) Quantities (iii) Information (iv) Cost (v) Budget

B. 1. (i) True (ii) True (iii) True (iv) False (v) False

2. (i) Planning (ii) Feedback (iii) Strategic (iv) Exceptions (v) Longer

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UNIT 16   TECHNIQUES OF CONTROL

Unit Structure

16.0   INTRODUCTION

In this unit we shall discuss several techniques of control. One way to classify these techniques is budgetary and non-budgetary. The use of these techniques varies according to area of operations. Budgetary techniques make use of budgets where as non-budgetary techniques are

more mathematical and quantitative based. Second way to classify these control techniques is traditional and non-traditional. In this unit we shall discuss the control techniques based on traditional and modern methods along with their advantages and limitation. Remember no single technique applies to control all organizational activities. Selection of different techniques or a combination of them depends upon situations and the variables to be considered.

16.1 OBJECTIVES

After going through this section, you will be able to understand

- The difference between approaches of various control techniques.

- Different types of budgets and their usage in control.

- Different non-budgetary control techniques.

16.2 TRADITIONAL CONTROL TECHNIQUES

The traditional control techniques can be classified as follow:

1. Personal observation

2. Budget and Budgetary control

3. Control through Costing

4. Break-even Analysis

5. Financial statements

6. Statistical data and reports

7. Quality control

16.2.1 Personal observation

Personal observation method is simple way to control the activities of the employees. It is suitable for small, medium and non-profit organizations. The managers move around the work place and observe how the activities are being performed by the employees. They spot the defects and correct it immediately. Doubts, if any, are resolved on spot. Feedback is immediate and instructions are instantly given.

Managers keep an eye on behavioural, technical and psychological problems of their employees.

This method builds psychological pressures on the employees as they know that their every move is being monitored by the boss. This makes them remain alert and improve their performance at work. The other side of the coin is that employees feel pressure when they find managers breathing close at their neck. Their freedom and movement gets restricted. Secondly, this method calls for managers to personally observe the performance of employees' everyday, which makes it impractical.

16.2.2 Budget and Budgetary Control

The word budget is derived from a French word 'Bougettee' denoting a leather pouch in which funds are appropriated for meeting anticipated expenses. In fact, this is the basic idea behind budgeting. A budget can be defined as a numerical statement expressing the plans, policies and goals of an organization for a definite period in future. Budgets are mostly expressed in financial terms though they can be expressed in non-monetary terms also. Budgetary control is derived from the concept and use of budgets. Thus budgetary control is a system which uses budgets as a means for planning and controlling entire aspects of organizational activities or parts thereof.

(A) Types of Budgets

Since budgets express pans, and an organization may have large variety of plans, there may be many types of budgets. The budgets may be classified on the basis of (i) coverage of functions- master budget and functional budgets (ii) nature of activities covered by budgets -capital budget and revenue budget; (iii) period -long term budget and short term budget; (iv) flexibility -fixed volume budget and flexible budget. Besides, there may be classification based on how budgets are prepared like Zero-base budgeting. Below is given a description of major budgets.

(i) Functional Budgets

The functional budgets have a number of classifications depending upon the type of functions performed and budgeting practices adopted by an organization. Thus, there can be budgets of each major function and sub function like production budget, sales budget, purchase budget, research and development budget, personnel budget, etc.

(ii)   Master Budget

The master budget is the summary budget incorporating its component functional budgets. Thus, this is nothing but the targeted profit and loss statement and balance sheet of the organization. Though practices differ, a master budget generally includes sales, production, costs -materials, labour, factory overhead, administrative overhead and selling and distribution overhead, profit, appropriation of profit, and major financial ratios.

(iii)   Capital and Revenue Budgets

Business activity involves two processes, viz. (i) creating of facilities for carrying the business activities; (ii) carry out the activities. Budget in respect of former is called capital and latter is called revenue budget. Thus a capital budget is essentially a list of what management believes to be worthwhile projects for acquisition of new capital assets together with the estimated cost of each project. Revenue budget involves the formulation of targets and the allied process in respect of routine functions, viz., sales, production and other functions.

(iv)   Flexible Budget

Generally organizations prepare budgets which pertain to only one level of activity, that is, activity in a predictable environment. Such budgets are known as fixed or static budgets. When an organization's activities can be predicted with fair precision, the fixed budget is satisfactory. However, many businesses face conditions that change radically from period to period making it impossible for future prediction. For them, flexible budget is more suitable.

(v) Zero- Base Budgeting (ZBB)

ZBB is based on a system where each function is justified in its entirety each time a new budget is formulated. It requires each manager to justify his entire budget from scratch that is Zero base. The process of ZBB involves four basic steps (i) identification of decision units, that is cluster of activities for which he is accountable: (ii) analysis of each decision unit in the context of total decision package;(iii) evaluation and ranking of all decision units to develop the budget request; and (iv) allocation of resources to each unit based upon ranking. Thus emphasis is placed upon resource allocation according to the contribution of each decision unit.

ZBB results in to a number of benefits over traditional budgeting. Such benefits may be in the form of (i) effective allocation of resources, (ii) improvement in productivity and cost effectiveness, (iii) effective means to control costs, (iv) elimination of unnecessary activities, (v) better focus on organizational objectives, and (vi) saving time of top management. However, ZBB may result into some problems if not followed properly. For example, it may result into extra paper work, difficulty in identifying decision packages, tendency to establish minimum level of efforts, etc. However these problems can be overcome when an organization gains experience of ZBB.

(B) Budgetary control

Terry as defined budgetary control as follows:

"Budgetary control is a process of comparing the actual results with the corresponding budget data in order to approve accomplishments or to remedy differences by either adjusting the budget estimates or correcting the cause of the difference."

Some people treat budgetary control only as a technique of cost control. For example, Brown and Howard have defined budgetary control as follows:

"Budgetary control is a system of controlling costs which includes the preparation of budgets coordinating the departments and establishing responsibility, comparing actual performance with budgeted and acting upon results to achieve maximum profitability".

However, the scope of budgetary control extends beyond cost control with the introduction of several types of budgeting. On the basis of definition of budgetary control, its features can be identified as follows:

1. Budgetary control establishes a plan or target of performance which becomes the basis or measuring progression of activities in the organization.

2. It tries to measure the outcomes of activities in quantified terms so that actual performance can be compared with budgeted performance.

3. It tries to focus attention of the management on deviation between what is planned and what is being achieved so that necessary actions are taken to correct the situation and to achieve the objectives of the activities. Thus it does not control the activities directly but points out where control and corrective actions are required.

Benefits of Budgetary Control

Budget and budgetary control leads to maximum utilization of resources with a view to ensure maximum returns because it provides aid to managerial planning and control. Besides, it also helps in coordination. Thus, budgetary control can play three roles in an organization. These are budgetary control as a tool for planning, budgetary control as a tool for control, and budgetary control as an aid to coordination. Let us see how budgetary control performs these three roles.

a) Budgetary control as tool for Planning

The system of budgetary control, by preparing budgets before

the activities are actually undertaken, facilitates the planning function of management in the following ways:

1.   Budgetary control forces managers to plan their activities. Since budget allocation is based on the nature of activities undertaken in a department or section, the mangers have to define what activities they plan for future. Thus planning becomes an integral part of total managerial functions.

2.   Since budgetary control is duly concerned with concrete numerical goals, it does not leave any ambiguity regarding the targets. Thus every manger in the organizations is sure about what he is expected to do. This offers the opportunity of objective appraisal of performance, self-examination and even self-criticism.

3.   It leads to a cautious utilization of resources since it keeps a rigid check over activities in the organization. This system acts both ways. It spurs efforts to achieve the goals and yet keeps them within the well defined boundaries. If focuses on rational use of organizational resources so as to promote a higher standard of performance and efficiency.

4.   It also contributes indirectly to the managerial planning at higher levels. Budgetary control provides an effective means by which management can delegate authority without sacrificing overall control. The budget limits the areas of activities to be trodden by the manager on their own. Thus managers at higher levels can delegate the authority to their subordinates for the performance of assigned activities and they will be free from strategic thinking and planning.

b)   Budgetary control as Tool for Control

Budgetary control acts as a tool of control in the following ways:

1.   Budgetary control, as a control device, is very exact, accurate, and precise. A budget provides standards against which control

activities are undertaken. Thus, managers can keep a watch whether their efforts are proceeding in right direction.

2. Budgetary control pinpoints any deviation between budgeted standards and actual achievement. This is communicated very quickly and managers can take suitable actions to overcome the deviations so as to achieve organizational objectives.

3. Budgetary control system also points out the reason which may be responsible for deviation between budgets and actual. Thus, it provides direction for necessary control actions.

Thus, it can be seen that with the constant help of the budgetary control system, attempts can be made to keep performance parallel with the estimated one.

c) **Budgetary control as an Aid to coordination**

Budgetary control system provides aid in coordination the organization. It helps to achieve coordination in the following ways:

1. Budgetary control system promotes cooperation among various sub-units in the organization. Since it is an instrument of planning, it brings activities of the various departments under overall perspective. This inspires team spirit and promotes cooperation. For example, the well-planned sales and production budgets lead to better purchasing and the labour requirement budgets to timely recruitment by personnel department, etc.

2. The system encourages exchange of information among various units of the organization. The preparation of specific functional budget inevitably needs the free flow of information among the various departments of the organization. This free flow of information helps in achieving coordination.

3. The system promotes balanced activities in the organization. Volume of each activity depends upon the objectives of the organization. Therefore, each activity should be performed in proportion to other activities. Thus, estimates of operations like

sales, production, purchasing, etc. can be well checked against each other and likewise, the activities can be programmed.

Thus, budgetary control system is a vital and important device for planning, controlling and coordinating the activities in an organization thereby contributes to attain higher standard of performance and efficiency.

Problems in budgetary control

Though budgetary control helps a lot to management in planning, controlling, and coordinating the activities of an organization, it is not a fool-proof system. It has its own limitations. Therefore, managers should be well aware about these problems so as to take adequate precautions to minimize the impact of these. Problems in budgetary control system emerge from two sources: problems because of planning limitations and operational problems.

A.   Planning problems

As seen earlier, planning activity has its own limitations. Since budget is an outcome of planning activity, it cannot remain free from the limitation of planning. In this context, following problems are likely to emerge:

1.   The biggest problem in budgetary control comes because of uncertainty of future. It is a well-known fact that budgets are prepared on the assumptions of future happenings in certain way. But due to change in situations, budgets do not remain reliable and meaningful and do not help in achieving control.

2.   Budgetary control, sometimes, may jeopardize the basic and important function in the organization. Once budgets are prepared, they become basis for further course of action. The budgets of further years are prepared on the basis of previous budgets. Mean while, situations may change to such an extent, that many functions unimportant few years ago may become very important but budgets may not reflect that. This problem, however, can be overcome by

periodic review of importance of various activities and incorporating their importance in budgeting. Zero-base budgeting does this to a very great extent.

3.   The role of budgetary control system in the planning function is sometimes over- emphasized. Budgets become end in themselves and any deviation from budgeted figures is looked upon with contempt. This inflexibility contributes negatively to the organizational objectives. For example, in government departments, substantial portion of amount is spent in the last month of the financial year so as to keep the budget intact. This may result into avoidable inefficiency.

B.   Operational problems

Besides many planning problems, some operational problems also come in the way of effective budgetary control system. Following problems are the major ones:

1.   A budget is just a sophisticated guess work, so question can be raised about its usefulness for being used as standard against which to measure the performance and to take actions. Apart from control actions relating to materials and things, control actions may be directed towards personnel in the organization. This may work against the morale of the people in the organization especially if the budgetary control system does not operate properly.

2.   Budgetary control may affect organizational morale adversely in another way. There is every likelihood that department managers may adopt a defensive attitude as soon as unfavourable variances are brought to their notice. To save themselves from criticisms, they may pass on the blame on other managers. This may create many types of problems and conflicts in the organization.

3.   Budgetary control system requires a lot of paper work which the technical personnel always resent. In fact, this does not fit with their areas of specialization.

16.2.3 Control through Costing

Costing is concerned with cost determination and indicates the approximate cost of a process or a product under existing conditions. Control through costing involves the control over costs in the light of certain predetermined costs usually known as standard costs. Standard costs are predetermined operation costs computed to reflect quantities, prices, and level of operations. Such standards are set in respect of total costs as whole and its various components -material, labour, and overheads. Thus, standard costing is a method of cost accounting in which standard costs are used in recording certain transactions and the actual costs are compared with the standard costs to find out the amount and reasons of variations from the standard. Essentially control through standard costing involves the following steps:

1.   The first step involves the fixation of standards. The standards are fixed for different components of cost separately. Such standards can be fixed on the basis of past records or through experiments also known as engineering methods.

2.   The second step consists in determining the actual costs to make a comparative study. This is achieved from the cost accounting records.

3.   A comparison between standards costs and actual costs is made in order to find out the variation between the two. If there is no variation or if it is within the prescribed limit, no further action is envisaged.

4.   If the variation is beyond the specified limit, it is taken to further analysis and an attempt is made to locate the reason for such a variation.

5.   In the light of the reasons identified, further course of action is panned so that in future there is no such variation. This may require perusal and revision of standards also if they are not realistic.

16.2.4 Break-Even Analysis

The break-even analysis is basically concerned with the cost-volume-profit relationships. It magnifies a set of relationships of fixed costs, variable costs, price, level of output and sales mix to the profitability of the organization. Break-even analysis sis made mathematically by applying the formulae to trace the break-even point, contribution, margin of safety, and profit volume ratio, or graphically by break-even chart concerning the profitability of the organization. Mathematically, relationships can be expressed as follows:

Break-even point =   **Fixed costs**

                                        Contribution per unit

Contribution   =   Sale per unit - variable costs per unit

Margin of safety   =   Total sale proceeds - sales at B.E.P.

Profit   =   Sales - Total costs (fixed +Variable)

                                             Or

                              =   Total contributions - fixed costs.

Graphically, relationships can be shown by break-even chart as shown in Fig below. This is a simple break-even chart showing a single product for the organization. The chart shows the level of costs and revenue for each level of sales and indicates that at 3,500 units the organization would break-even showing neither profit nor loss. The chart is simple and presents static picture of cost-volume-profit analysis. If there is more than one product with combined fixed costs, the chart is prepared on the basis of combined contribution of all such products.
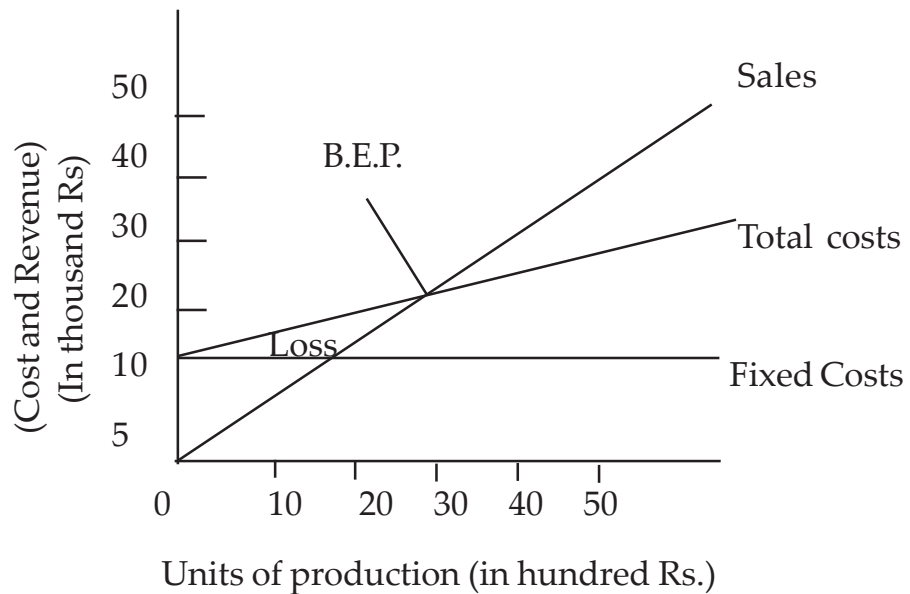
Break-even chart

Break-even analysis is useful in planning and control because it emphasizes the marginal concept. Its practical implications are profit estimation at the different levels of activity, ascertaining turnover for desired profit, and estimating the impact of the variation of fixed and variable costs. Thus, it can bring to the manager's attention the marginal results of their decisions by showing the effect of additional expenses or incremental changes in volume.

16.2.5 Financial Statements

Financial statements show financial position of the firm over a given period of time, say one year. These statements are prepared at the end of financial year and presented along with last year's statement in order to enable a manager to compare it with past performance and improve future performance. These statements provide information on the following aspects:

1. *Liquidity*, which shows cash position of the firm to meet out its liabilities,

2. *Financial Strength,* by representing assets, liabilities and equity position of firm, and

3. *Profitability*, which is the excess of revenue over cost.

The two most commonly used financial statements are- Balance sheet and Income statement.

A) **Balance Sheet**: It is a statement of company's financial position at a point of time, usually March 31 every year. It describes company's assets, liabilities and owner's equity.

$$\text{Assets} = \text{Liability} + \text{Owners Equity}$$

Assets: Assets are the resources of a company which are of two types: current and fixed assets. Current assets are the cash or the items which can be converted into cash within a short period of time, usually one year. For example, cash accounts receivables, debtors, inventory etc. Fixed assets are those which have life span of more than one year, like, plant and machinery, building, land, patent, goodwill etc.

Liabilities: These are claims of outsiders against assets of company. These are again of two types: current liabilities and long term liabilities. Current liabilities are paid by the company within a short period of time, say one year. For example, bills payable, creditors, unpaid taxes etc. Long term liabilities are repaid by the company over a long period of time, usually more than one year like, bonds and debentures.

Owners equity: Also called net worth equity, are the claims of owners against company's assets. Net worth is the difference between assets and liabilities.

B) Income Statement: While balance sheet depicts financial position of company at the end of financial year, March 31, income statement depicts company's financial performance during the financial year from April 01 to March 31. It is statement of company's revenues and expenses. Revenues are inflows of cash, for example, sales, interest received etc. Expenses are outflows incurred to earn revenue, for example, purchase of raw material, payment of bills etc. Difference between revenue and expense id called profit or loss. Current year income statement is compared with last year income statement to

determine the extent of profit or loss, and it serves as the basis for controlling future performance.

16.2.6 Statistical Data and Report

Numerous data are used to predict company's performance. Analysis of data in terms of averages, percentages, ratios, regression, correlation etc provides help for control. Data can be used for diagrammatic representation like bar diagrams, histograms, pie chart, trend charts etc which are examined for deviations. Such areas of control are production planning and control, quality control, inventory control etc.

Report is a statement which presents data in form of information for carrying out control function. Generally reports are prepared in the areas where statistical data falls short of requirement, particularly in case of specific problems or contingency which are not routine. Both statistical data and report provide information about company's financial and non-financial performance.

16.2.7 Quality Control

Quality control is an operation management based technique to maintain and control quality of goods at each stage of manufacturing process rather than detecting errors at the end leading to discarded products. It performs preliminary inspection when raw material is received and aims at coordinating the activities when the product is being produced and the process through which it is produced. It calls for the task related to designing products according to specifications, inspecting product at various stages of production to ensure conformity to customer specifications and obtaining feedback from customers to improve the process.

There are two techniques of doing quality control- inspection and statistical, as described below:

Inspection: This technique involves checking the product against the standards at input, process and output stage. The task is done by the

inspectors who separate the acceptable items from non-acceptable items and examine why the product failed to meet the specifications. The inspection can be done in two ways- census inspection and sample inspection. In census inspection, 100 percent of the items are inspected. It is done when the product is highly expensive, say gold or diamond, and also when there is tendency of large product rejections. In sample inspection, sample of work is inspected which forms the basis of quality control. If sample rejects the lot, then either lot is rejected or put to 100 percent inspection. This method saves time and money and facilitates spot checking at various stages of production process.

Statistical Quality Control (SQC): It is a statistical technique of quality control to measure the degree of conformance of various parameters involved in the processing of products to previously laid down specifications. It can be performed at input, processing or output phase. SQC can be done in two ways- acceptance sampling and process sampling. In acceptance sampling, random samples of finished goods are chosen rationally and scientifically and put to test against standard quality measurements. If the percentage of defective items is within the acceptable range, say 2 percent, then it is passed and is sent to market for sale. If not, then lot is rejected. It indicates the production manager to either search for new supplier or new machine or train the personnel on the current machine. In process sampling, the products are examined during the production process so that chances of rejection are less. It is a preventive method. Even if the variation occurs, they are examined from two angles, variation by chance or variation due to assignable causes. The later can be eliminated by statistical techniques.

Check Your Progress-A

1.   State whether the following statements are True or False:

i.   Personal observation method is suitable for small, medium and non-profit organizations.

ii.   Budgets cannot be expressed in non-monetary terms.

iii. Creation of facilities for carrying the business activities constitute revenue budget.

iv. Break-Even point is expressed as ratio of fixed costs to contribution per unit.

v. Quality control is used to detect errors at the end.

2. Fill in the blanks:

i. _____ is a statement which presents data in form of information for carrying out control function.

ii. In financial statement, asset is a sum total of liability and _____.

iii. _____ is the point at which there is no profit and no loss.

iv. _____ assets are the cash or the items which can be converted into cash.

v. _____ is based on a system where each function is justified in its entirety each time a new budget is formulated.

16.3 MODERN CONTROL TECHNIQUES

The modern control techniques can be classified as follow:

1. Management Information System

2. Return On Investment

3. Management Audit

4. Responsibility Accounting

5. Network Techniques – PERT and CPM

6. Ratio Analysis

16.3.1 Management Information System (MIS)

Communication is needed for carrying out managerial functions-planning, organizing, actuating and controlling; for various functional areas viz. marketing, production etc and integrating them with external environment viz. government, suppliers, customers etc. earlier this information was provided by accounting system adopted. With the use

of computers it has become affordable and effortless access to huge quantity of data within no time. It is a system of obtaining timely, relevant and accurate information based on computer technology. The term MIS has been used differently by different authors. According to Koontz and Weihrich, "MIS is a formal system of gathering, integrating, comparing, analysing and dispersing information internal and external to the enterprise in a timely, effective and efficient manner." It plays important role in decision making. It is applicable at all levels. Information at the lower level helps managers to adjust production schedules and carry out operational planning. Information at the middle level helps managers to check performance of their departments and, information at the top level helps managers in strategic planning and control.

Benefits of MIS:

i.   MIS provides accurate and timely information for managers to take rational decisions.

ii.   MIS provides relevant information for decision making, saving both the time and the cost.

iii.   MIS helps facilitate managerial functions thereby, helping managers to take optimum decisions.

iv.   MIS facilitates coordination among different departments by providing timely, accurate and relevant information.

Problems in MIS:

i.   Lack of coordination among MIS specialist designers and operating managers could lead to a gap in understanding the system and implementing it.

ii.   Designing and implementation of MIS is costly both in terms of time and money. Cost of MIS may overrun the benefits of using it.

iii.   Information overload can lead to quantity of information rather than quality of information leading to confusion and chaos.

iv.   Implementation of MIS calls for training of users of the system regarding hardware, software and support system, causing increase in the cost.

16.3.2 Return On Investment (ROI)

The efficiency of an organization is judged by the amount of profit it earns in relation to the size of its investment, popularly known as 'Return On Investment' (ROI). This approach has been an important part of the control system of Du Pont Company, U.S.A., since 1919, though it was actually devised by Donaldson Brown in 1914. Since its successful operation in Du Pont, a larger number of companies have adopted it as their key measure of overall performance. The system of control through return on investment can be seen from Fig. as operating in Du Pont Company.
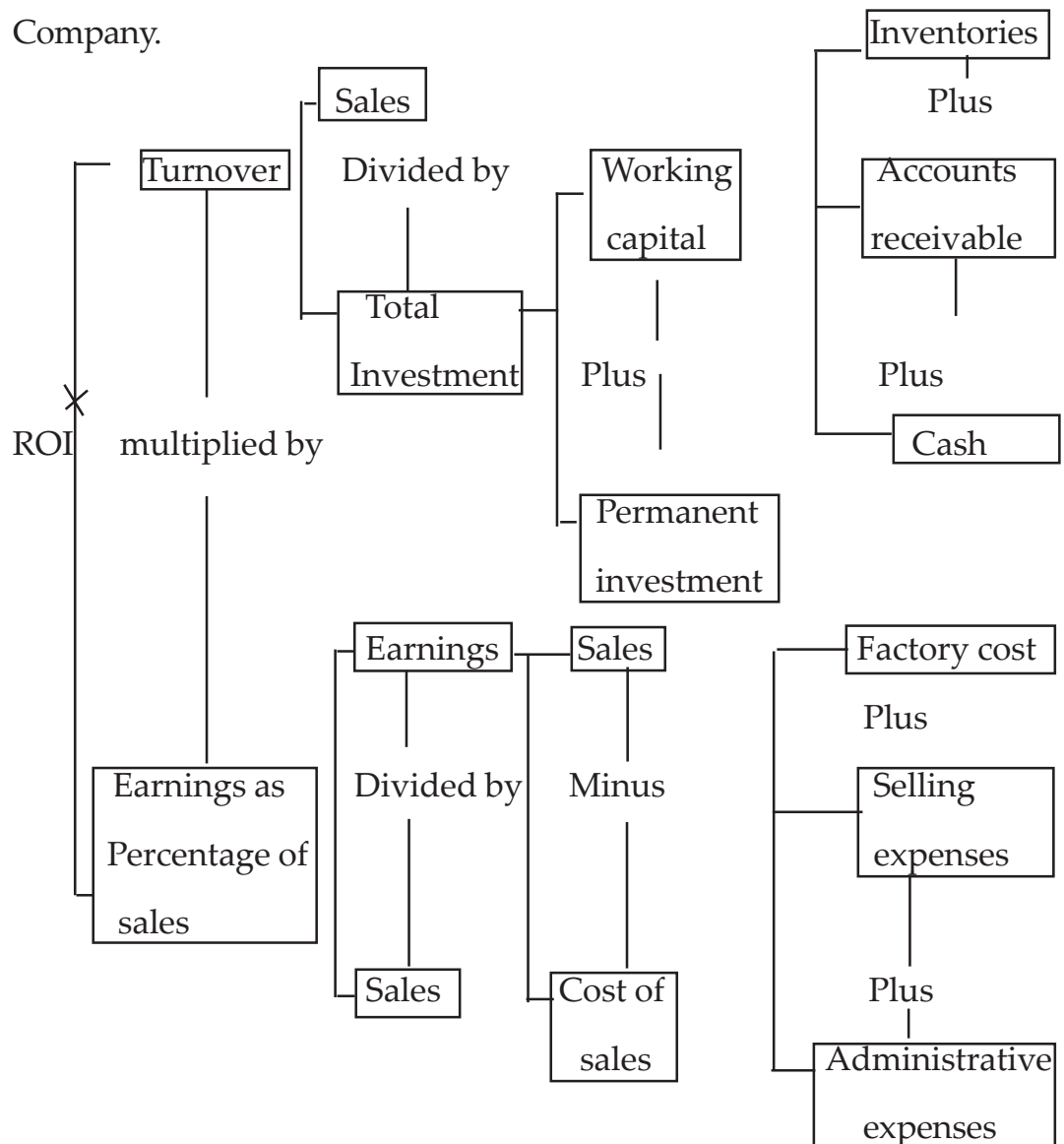
This technique does not emphasis absolute profit for judging the efficiency of an organization as a whole or a division thereof, rather the amount of profit is related, with the amount of facilities or capital invested in the organization or the division. The goal of a business, accordingly, is not to optimize profit, but to optimize returns on capital invested for business purposes. This standard recognizes the fundamental fact that capital is a critical factor in almost any business and through it, scarcity puts limit on progress.

Advantages

The return on investment is an integral part of the productivity and efficiency accounting. It gives following advantages:

1. The technique offers a sound basis for inter-organization comparison. Such comparison can be made among the different divisions, departments, or products of the same organization. It places high values on the effective and efficient use of organizational resources.

2. It provides success to budgetary planning and control by putting restraint on the managers' demand for higher allocation of resources for their departments even if these are not actually needed. Thus, the resource allocation in an organization is made on more rational basis.

3. This system is helpful in authority decentralization. Each manager, in charge of a department or section, is responsible for earning certain rate of return, but enjoys complete freedom in running his department.

4. It can be treated as a total control system in the sense that rate of return reflects the objective of the organization. If this rate is satisfactory, other control systems like budgetary, costing, ratios, reports may be taken as satisfactory.

Limitations

There are some limitations of the rate of return as a control tool:

1. The use of rate of return is associated with the fixation of a standard rate of return against which the actual is compared. What should be this standard return is often questionable.

2. Another problem comes in the way of valuation of investment. The question is at what cost the assets should be valued: at original cost, depreciated cost, or replacement cost. In an inflationary economy, the problem of price adjustment becomes more acute, whatever basis of valuation is adopted.

3. The rate of return on investment sometimes hampers diversification if it has no flexibility. This is because of the fact that the rate of return is determined by the amount of risk; higher the risk, higher the desirable rate of return.

4. Many times, the return on investment is followed so rigorously that expenditure such as research and development which can contribute to the profitability in the long run is curtailed to show impressive results in terms of rate of return. This practice, however, is detrimental to the organization in the long run.

16.3.3 Management Audit

Audit is a periodic inspection of financial statements to ensure that they are prepared according to accounting principles. There are two types of auditing: external and internal. External audit is conducted by chartered accountants who are external to the company. They check the company's assets, liabilities and capital accounts and verify the financial statements of the company. Deviations, if any, are reported for control action. It is conducted at the end of financial year. Internal audit refers to verification of financial statements based on statistical data and reports and determines where the things have gone wrong and where corrective action is needed. It examines the efficiency with which the managers utilize its assets and run the enterprise in the light of environmental factors.

Management Audit is periodic evaluation of management as a whole. It examines the total managerial process of planning, organizing,

staffing, directing and controlling. It ensures that resources are properly utilized, work is productive and quality oriented, labour absenteeism and turnover is low, proper inventory control management is done, relations with the outside parties is maintained etc. Jackson Martindell has identified ten areas of management audit, namely, fiscal policies, earnings of firm, fairness of accounts to shareholders, research & development, sales, economic functions, Board of Directors, organization structure, ability of executives and, efficiency of production.

Advantages

1.   Objectives and plans are analysed making future policies and procedure effective.

2.   Internal audit makes control possible at micro level.

3.   It controls the activities taken up by managers and promotes their personal growth and development.

4.   It improves communication among managers as they are involved in audit.

5.   Reliability of data is tested by audit.

Limitations

1.   Scope and procedure of management audit are not fully defined because of wide spread practices in audit. There is a lack of well defined principles and procedures.

2.   It calls for trained staff or external agency to conduct audit.

3.   The person conducting management audit should have thorough knowledge and understanding of management principles, behavioural aspects and functional areas of management, which is a rare combination.

4.   The auditor has to report the deficiencies of top management to the same people.

5.   Personal bias of auditors may affect the judgement of managers.

16.3.4 Responsibility Accounting

It is a system where an organization is divided into small unit and each unit is headed by a know manager who is made responsible for achieving the performance of his unit. These units are the departments or sections and are called 'responsibility centres'. The use of responsibility accounting focuses attention on management by objectives rather than management by domination. Each person is responsible for his area of operation, and for effective control, he must what his costs should be and what his costs were. Thus costs are assigned to responsibility centres rather than to products with the clear distinction between controllable and uncontrollable costs to the head. There are three types of responsibility centres:

a)   **Costs Centres:** In cost centres, the control system measures only the direct costs (raw material, labour etc) and indirect costs (R&D expenses etc) incurred by responsibility centres and no attempt is made to measure the value of their outputs. Thus most individual departments and staff departments are cost centres.

b)   **Profit Centres:** In profit centres, the targets are fixed by the department or division in terms of profit which is measured by difference between revenue and costs.

c)   **Investment Centres:** In investment centres, managers are held responsible for the effective use of assets as well as for revenue and cost.

They invest in assets which generate maximum revenue and profits for the enterprise. Performance of investment centre is judged through ROI i.e. returns they earn on investments made in assets.

16.3.5 Network Analysis – PERT and CPM

PERT (Programme Evaluation and Review Technique) was developed by the special project office of the U.S. Navy in 1958. Almost at the same time, engineers at the Du Pont Company U.S.A also developed CPM (Critical Path Method). Though, there is some difference between PERT and CPM both utilizes the same principles. The basic difference

between the two is that CPM assumes the duration of every activity to be constant, therefore, every activity is either critical or not. In PERT, uncertainty in the duration of activities is allowed and is measured by three parameters-most optimistic duration, most likely duration, and most pessimistic duration. PERT/CPM is used either to minimize total time, minimize total cost, minimize cost for a given total time, minimize time for a given cost, or minimize idle resources.

Process of PERT/CPM

A programme consists of several activities and sub-activities. In order to complete the programme, these activities, sub-activities should be completed in a proper sequence and in allotted time. Sine some of the activities can be taken simultaneously, a network is developed to show the sequence, time taken and the time of start of particular activities. The whole process involved in the preparation of PERT/CPM is as follows:

1. **Identification of Activities**. Activities represent jobs that should be performed in order to complete programme or project. Each activity takes some specific time under given conditions.

2. **Sequential Arrangement of Activities.** There is always a technological sequence in the various activities of a project. Predecessor and successor events should be located to bring the sequence. Predecessor events are those which should be completed before a particular event can start. Successor events are those that immediately follow another event.

3. Time Estimates of Activities. All events are associated with a definite point of time and as such events provide a basis for measuring the progress of a programme. Hence, there should be correct estimate of time taken by each activity. However, the activities are performed in future and it may not be possible to forecast the future happening correctly, consequently the correct time estimate of activities. To overcome this problem, three time estimates are taken: optimistic time showing the least time of an

activity, pessimistic time showing the maximum time of activity, and most probable time which lie in between the two. The expected time of an activity is calculated by $T = \dfrac{o + 4m + p}{6}$

4. Network Construction. All activities of a programme are connected sequentially to form a network known as PERT network. Following rules for construction of PERT/CPM network are adopted.

(i) One and only one arrow represents each completely defined activity.

(ii) The length of the arrow does not depend upon the duration of the activity but is governed by the need for convenience and clarity.

(iii) The start or termination of an activity is represented by node or a circle.

(iv) Arrows originated at an event indicate activities that can begin only when all the activities terminating at that event have been completed.

(v) If an event takes precedence over another but there is no activity to connect them, a dummy arrow represented by dotted line is used.

(vi) For clarity, thick arrows or different coloured arrows are used to show critical path activities after they have been identified through analysis.

(vii) Events are distinguished by numbers. No two events can have same number. Each event, which indicates termination of an activity, has higher number than the event which indicated start of the same activity.

5. On the basis of analysis, critical activities are determined. These are represented by a critical path which shows that if activities on this path are not completed in time, the entire project will be delayed by the amount the event is delayed. Thus, based on

estimates, the earliest or latest start time of an activity can be calculated.

Advantage

PERT is a useful and convenient tool in the hands of management particularly for the top level manger who has the overall managerial responsibility of a project. Moreover, it is helpful in solving problems of scheduling the activities of one-time projects, that is, the projects which are not taken on routine basis. Some fields of application of PERT/CPM are the construction industry, planning and launching a new project, installing and debugging a computer system, scheduling ship construction/ repairs, missile countdown procedures, and end of the month closing of accounting records.

Limitations

PERT has certain limitations also.

1. The basic difficulty comes in the way of time estimates for the completion of activities because activities are of non-repetitive type.

2. It is not useful for routine planning of recurring events, such as mass production because once a repetitive sequence of events is clearly worked out, no elaborate continuing control is required.

16.3.6 Ratio Analysis

A ratio is a quotient to two numbers. It explains relationship of one item to another in mathematical terms. Performance of a business is measured by use of ratios. These ratios are drawn by comparing selected items from the financial statements of the company in percentages or fractions. Ratio analysis engages qualitative measurements and shows precisely how adequate is one key item in relation to another. The financial statement, for example, represents profit of Rs. 60 lacs. It has no meaning unless it is related to capital invested; say of Rs. 200 lacs, thus giving a return of 30% to the company.

The figure 60 lacs looks to be very attractive but actually it is not so.

Some of the important financial ratios are given below:

(a) Liquidity Ratio: These ratios indicate the ability of a firm to pay its obligations or debts.

(i)   Current ratio or Networking capital ratio $= \dfrac{\text{Current assets}}{\text{Current liabilities}}$

(ii)   Liquidity ratio or Acid – test ratio $= \dfrac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities} - \text{Bank overdraft}}$

(b) Activity Ratios: They determine how well a firm manages its operations.

(i)   Inventory turnover ratio $= \dfrac{\text{Cost of goods sold}}{\text{Inventories}}$

(ii)   Fixed Assets turnover ratio $= \dfrac{\text{Fixed Assets}}{\text{Sales}}$

(c) Leverage Ratios: They indicate the amount of funds supplied to the firm by its owners and non-owners.

(i)   Debt Equity ratio $= \dfrac{\text{Long term loans}}{\text{Share capital} + \text{Reserves}}$

(ii)   Capital gearing ratio $= \dfrac{\text{Securities with fixed rate of return}}{\text{Risk bearing securities}}$

(d) Profitability Ratios: These ratios indicate profitability of the firm.

(i)   Profit on Sales ratio $= \dfrac{\text{Earnings before interest and tax}}{\text{Sales}}$

(ii)   Net earnings on Sales ratio $= \dfrac{\text{Profit after tax}}{\text{Sales}}$

(iii)   Return On Investment (ROI) $= \dfrac{\text{Profit before tax}}{\text{Share capital} + \text{Reserves} + \text{Long term loans}}$

Advantages

Ratio analysis is done for the following purposes:

1.   Ratios are used to compare present performance with the past performance over a period of time. Based on this trend analysis it helps company in making predictions about future.

2.   Ratios are also used to assess market standing of a company by comparing its ratios with the ratios of the competitor in the same industry.

3.   Ratios help managers to correct performance standards for sales, profit etc.

4.   Ratios help in delegation and decentralization of authority by defining the standard rate of return for each department and enabling them to compare their departmental performance with it.

5.   Ratios help in financial decision making for shareholders, bankers and financial institutions, creditors etc. For example, shareholder may decide to sell or retain company's share by examining the profitability ratio, bankers may assess liquidity ratio of the company to determine its ability to repay the loan, creditors are interested in leverage ratios etc.

Limitations

1.   Ratio analysis depends upon financial statements which are generally based on historical or original cost. The current economic conditions are ignored. Also, financial statements suffer from limitations of accuracy causing misleading information. Figures do not reflect the true value, for example, ROI is affected by price changes over a period of time.

2.   Managers generally run all the ratios however, only a few relationships provide clues for judgement.

3.   A ratio is of little value in isolation as it does not provide a standard rate of return against which performance could be measured.

4.   While comparing the size of ratio during the current period with the corresponding ratio during a previous period, it is possible that the

conditions during the two periods may have changed; for example, product lines, markets, prices etc.

5.   Inter-firm comparison do not reflect true performance because different firms adopt different methods of accounting operations and financing viz. computing depreciation, interest and profit, inventory level etc.

Check Your Progress-B

1. State whether the following statements are True or False:

i.   MIS provides relevant information for decision making.

ii.   ROI system is helpful in authority decentralization.

iii.   Internal audit refers to verification of financial statements based on statistical data and reports.

iv.   A ratio is a quotient to two or more than two numbers.

v.   The longest path in network is called critical path.

2. Fill in the blanks:

i.   MIS provides accurate and timely information for managers to take _____ decisions.

ii.   The first step involved in control through costing is fixation of _____.

iii.   _____ is a formal system of gathering, integrating, comparing, analysing and dispersing information internal and external to the enterprise

iv.   In profit centre _____ is measured by difference between revenue and costs.

v.   _____ has identified ten areas of management audit.

16.4   SUMMARY

A variety of traditional and modern tools and techniques of control are available to a manager to exercise control. There are many traditional control techniques which are widely practiced. The personal observation technique calls for manager to observe personally the performance of employees' every day, spot the defects and correct it. Budgeting is the formulation of plans for a given future period in numerical terms. There are several types of budgets – functional budget, master budget, capital and revenue budget, flexible budget and Zero-Based budget. There are also dangers in budgeting. Budgeting is made much more precise by Zero-Based Budgeting (ZBB) in which programs are divided into 'packages' and the cost of each package is calculated from a base of zero. Control through costing involves controlling the cost components – material, labour & overheads. Break-Even Analysis, also known as cost-volume-profit analysis is useful in profit planning, cost control and determination of appropriate volume of operations. It is a no-profit, no-loss point. Financial statements show financial position of a firm for a given period with respect to its liquidity, assets/liabilities/ equity position and profitability. Most commonly used financial statements are balance sheet and income position. The other traditional control techniques are statistical data and their analysis, special reports and quality control.

Among modern control techniques, Management Information System is a formal system of gathering, integrating, comparing, analysing and dispersing information internal and external to the enterprise in a timely, effective and efficient manner. Control through ROI is an overall measure of the financial performance of a business or individual divisions thereof. It is ratio of Net Income to Total Investments. Management Audit periodically inspects the financial statements, ensures optimum utilization of resources, examines policies & procedures and appraises managerial efficiency with respect to them. Responsibility Accounting makes each person responsible for cost, profit

and investment centres. Network Techniques-PERT & CPM involves series
of interrelated and interdependent activities enabling managers to plan
the time and cost estimates for completing a complex project. Ratio
Analysis explains relation of one item to another item selected from
financial statements. The most prevailing ratios considered by companies
and external agencies are liquidity ratio, activity ratio, leverage ratio, and
profitability ratio.

16.5 KEYWORDS

- **Auditing:** It is the process of verifying the validity of an
  organization's financial statements and records by outsiders or by
  members of the organization.

- **Break-Even Analysis:** A mathematical procedure for studying the
  relationships between costs, sales volume and profit.

- **Budget:** Formal quantitative statement of resources allocated to
  specific programmes or projects for a given period.

- **Critical Path Method (CPM)**: A network analysis technique used to
  schedule and control works on projects for which the time required
  to complete the task is specified/ limited.

- **Management Audit:** A systematic, comprehensive examination of
  the quality of management in an organization in order to bring about
  improvement.

- **Management Information System (MIS):** A formal, usually
  computerized, structure for providing management with complete
  and up-to-date information.

- **Network Analysis:** A technique used for scheduling complex
  projects that contain interrelationships between activities or events.

- **Quality Control:** The process of ensuring that goods and services
  meet predetermined standards.

- **Zero-Based Budgeting (ZBB):** A budgeting approach in which all of
  the organization's activities, the existing ones and the proposed new

ones, are considered on an equal footing in resource allocation decisions, rather than using the previous years' budget as a starting point.

16.6   IMPORTANT QUESTIONS

Q.1.   Carefully examine the fundamental characteristics of an effective budget.

Q. 2. What do you understand by budgetary control? What are its objectives, advantages and limitations?

Q. 3. What is meant by Break-even analysis? Explain its uses in managerial decision making.

Q. 4. What do you mean by quality control? Explain the methods of quality control.

Q. 5. "Financial statements depict financial position of the company in relative terms" Comment.

Q. 6. Define MIS. How can it be designed? How does a manager base his control decisions on MIS?

Q. 7. Define Management Audit. How can a management audit program be adopted for an organization?

Q. 8. Differentiate between PERT and CPM. What are their uses in managerial planning and control?

Q. 9. Explain the uses and limitations of ratio analysis as a technique of control.

ANSWERS TO CHECK YOUR PROGRESS

A.   1. (i) True (ii) False (iii) False (iv) True (v) False

2 (i) Report (ii) Owners equity (iii) Break even (iv) Current

(v) ZBB

B.   1. (i) True (ii) True (iii) True (iv) False (v) True

2. (i) Rational (ii) Standards (iii) MIS (iv) Profit (v) Jackson Martindell

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Block
5

MANAGEMENT : ETHICS AND VALUES

Block 5 : MANAGEMENT ETHICS AND VALUES

Block Introduction

In previous Blocks you have learnt in detail the concept of coordination and control function of management. This block discusses the ethics and values in management. It covers the concept of values and ethics which are applicable to individuals and instittions, both business and non-business.

Unit 17 deals with the set of principles that people follow and cherish, and tells how the different factors affect the business and the requirement of the work-life balance.

Unit 18 deals with the Japanese Management Techniques, which are considered much better than the other western management technique.

Unit 19 describes the importance of the human values in the management decision making, and how the values affect the managers.

Unit 20 explains the ethical dilemma in management, and how the ancient Indian values give the teachings to the world.

UNIT 17   VALUES IN MANAGEMENT

Unit Structure

17.0   INTRODUCTION

Values are the set of principles that people follow and cherish. The quality of individual and collective life is improved. Personal and community discipline and sacrifices are the main features of it. Intrinsic worth or goodness are given most importance. The beliefs and values may be differentiated, beliefs guide an individuals' action, and values lay standards against which individual behavior is judged. The overall personality of individuals and organizations are determined by values. Values are applicable to individuals and institutions, both business and non-business.

5

17.1　OBJECTIVES

After going through this unit you shall be able to understand:

·　To understand the concept, characteristics and types of values

·　To know factors affecting values in business management

·　To explain transnational environment of business and

·　To define quality of Work -Life

17.2　CHARACTERISTICS OF VALUES

Values have the following characteristics:

(a.)　Values are at the core of the heart.

(b.)　Values are judgmental in nature.

(c.)　Values may change according to the situation and so it can be called dynamic.

(d.)　Some values may be stable and enduring.

(e.)　The hierarchy of the values may differ person to person.

The above characteristics are the summery of the values and it is clear that values may help individual to make thinking capable of judging and decision-making. And it is so that one should accept the supremacy of moral values.

17.3　TYPES OF VALUES

People have different type of attitudes and reveal different pattern of behaviour.The classification of values facilitates to understand why do people behave in different manners .For the convenience different authors have given different classification of values.

According to M. Rokeach

1. Terminal Values

2. Instrumental Values

1.　Terminal Values : The values which the person wants to achieve during his life time are called terminal values. They represent the purpose of a person's existence. For example ,happiness, satisfaction, knowledge

and wisdom, peace and harmony, prosperity and worth, pride in accomplishment, recognition from peer, salvation and security from threat etc.

2.   Instrumental Values: These are the means to achieve the desired results. For example , assertiveness, being helpful to others, education, intellectual pursuits, hard work, achievement, obedience, self sufficiency, independence, open mindedness, truthfulness, honesty and well mannered behavior etc.

According to Albert Schweitzer

> 1.Operative Values.
>
> 2. Concieved Values.
>
> 3. Objective Values**.**

1.   Operative Values : People's preferences for action and objects are defined as operative values. These are the value choices for e.g. a person who has two choices to complete his work , either to finish it with the short cut method or with a lengthy method. If he choose the lengthy method, this is the matter of choice.

2.   Conceived Values : The value choices which are based on symbolized concepts are called conceived values.They are made in anticipation of the outcome of the chosen behavior. For e.g. out of the different paths of action ,a person can choose one on the basis of the values.

3.   Objective Values : Objectively desirable value choices are called objective choices. Objective values are not advantageous to the individual and also not conceived as symbolically desirable.

**According to Jones and Gerald**

1. Positive Values.

2. Negative Values.

1.   Positive Values : When the individual strives to achieve the values and he/she is prepared to spend for acquiring these values, then we call it positive values.

2.   Negative Values : The values which are avoided and rejected by the individual and he escapes from them then we call them negative values.

Broadly Categorized Value Chart
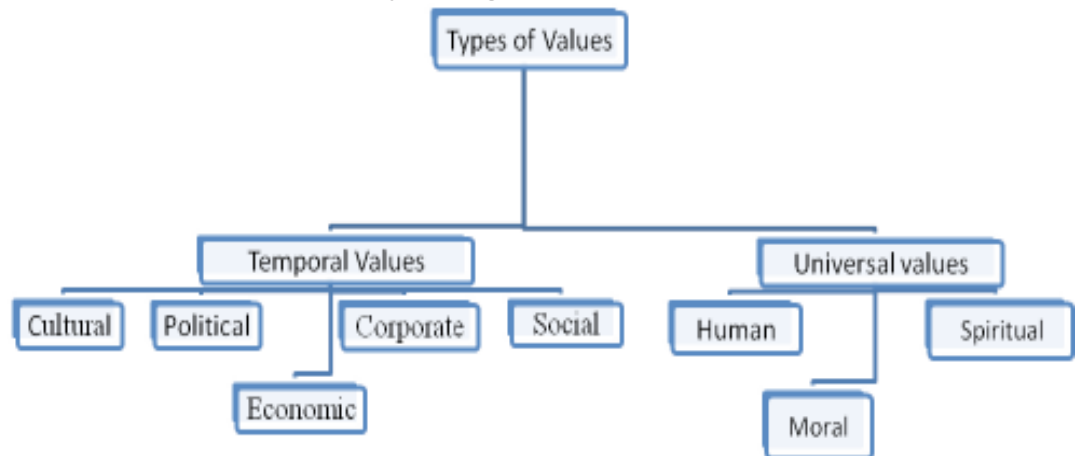
Temporal values

· **Cultural values** are generally matter of taste , manners and customs.

· **Cultural values** range from conservative to liberal system.

· **Economic values** means always buy the best and always buy the cheapest.

· **Corporate values** defines the relationship between customers, employers and competitor.

· **Social values** means how the individual connected with others , whether the pros are helped or not, mixed marriages are accepted and homeless are helped or not etc.

Universal values

· **Psychological values** (Human) are connected with fundamental instinct or desire, freedom, equity, self control and cooperation.

· **Moral values** are honesty, integrity , non-violence, fair play and justice

· **Spiritual values** like truth, goodness, happiness, love, peace, harmony, purity, compassion, respect, tolerance, forgiveness, unity and detachment etc are desired as a goal states for their own sake, for their intrinsic values.

17.4 FACTORS AFFECTING VALUES

The sources from where the value system comes are the actual factors those affect the individuals. These factors are as follows-

Institutions : Various institutions play different type of roles to inculcate the values in the individual like :

1.   Family

2.   Religious institutions,

3.   Schools

4.   State cultural and social institutions.

The difference between 'right' and 'wrong' is important for the individuals as they have to take so many decisions in the life which may affect their whole personality, these institutions inculcate the values which make an individual decisive

Friends and colleagues : The peers and the colleagues definitely affect the individuals because they spend more and more time with each other. Through the interaction they develop the attitude, beliefs and values from their group whom they like and try to follow the norms of the group.

Organizational values : The place where the individuals work, also play an important role in shaping his life and attitudes. These a value system in him. No doubt the values differ from organization to organization, that is why each individual has his own values. If the value system of the organization matches to their own values, this makes them comfortable and they prefer to work in that organization. If the value system do not match they leave organization or adjust to the values of the organization.

Situational factors : Some times the individuals change their values according the situation. For e.g. if an individual gets the threat from the superior he may adopt some unethical values to cooperate with the superior.

Personal factors : Education level, ability, intelligence and so many other aspects also determine the value system of the individual. For e.g. if a person is intelligent he may understand the values faster than others.

17.5   VALUES IN BUSINESS MANAGEMENT

Among the different type of the aspects of management ; finance,

marketing and industrial relation, the man-management is the most important aspect. In day to day conduct of business the basic human values are practiced for the successful performance, for e.g. truth, righteousness, peace, love and non-violence .All countries have their own value system and Indian managers may not copy practices from abroad and should keep in mind the Indian ethos and Indian culture.

There is a great need of the infusion of the Indian values and management practices to get the positive response of the people. The basic values of Indian system are truth ,religion, peace, love and non-violence, these should be given the importance in all the activities of the organizations.

Honesty and the **fraternal relation** may play a favourable role in business management.

Honesty (Satya)may be accepted as the social service and it definitely brings reward in long run. Initially it may cause the difficulty but in long run integrity and honesty play a positive role for the organization. This is the role of the managers that they should tell the chiefs to be fare in financial matters like accounts and audit, because these may raise the image of the organization. They may increase the profit of the organization and this will inspire confidence within it.

In the practice of the religion (Dharma), the activities of the marketing managers should be fair enough to the consumers and the workers of the different religion should be dealt fairly and justice should be done by all means.

17.6 OBJECTIVES OF VALUES IN BUSINESS

1. **Long –run success :** The organizations may get maximum profit , but it is possible only at the cost of the business ethics and it also does not continue for long run. The organizations must look for the long run profit , and for that they have to follow the ethical values. The interest of the stakeholders as well as the owners should be important for the organizations.

2. **Optimum Decision :** The social and economic aspect of the business are very much important for the organization, and the values help the management to make optimum decisions for the benefit of the

organization and the society.

3.   Promotes stakeholders : The value based decisions of the managers also influence the stakeholders and it promotes the credibility of the business. The shareholders provide more funds, employees' confidence improves and so their moral is increased, the improved positive image of the company promotes the consumers to buy their products more and at the best the efficiency and the effectiveness of the workers and the managers is improved which is the positive sign for any organization.

While talking about peace (Shanti), the mangers should be stable in the difficult situations and should not get disturb. With the help of love they may maintain their calmness and deal with such situation easily.

Fraternal relations(Prema) always bring the industrial harmony. It is accepted now that the workers, managers and all others are as the members of a family. The fraternal feeling should be developed for each other. There is the need at the part of the executives that they should recognize all the members as one, so they can achieve the industrial harmony.

Non-violence (ahinsa)also play an important role in industrial harmony. By avoiding the pollution to the natural resources and the atmosphere near about the premise of the industry , the industrialist may practice non-violence.

17.7 TRANSNATIONAL ENVIRONMENT AND PERSPECTIVES OF BUSINESS

17.7.1 Introduction

The corporate knows the importance of the transnational business environment. The multi-cultural or the trans-cultural have become significantly important. The managerial values and cultures become significant when the organizations cross the national border and go to different countries. To perform the business task effectively, the synergy between corporate culture and the managerial values play an important role and gives rise to the cross- cultural practices which again improves the effectiveness of the organization. The different

cultural environment of the different countries make it necessary to understand the culture of the country where the corporate wants to extend its business. The perception of the people of the different culture affects the business affairs. This is up to the people how they perceive the business activities and their influence on different aspects.

Today's world is the global world and the countries have to be aware about the transferability of the management theories and practices. Because this transferability may only make it easy for the corporate to compete in the new culture and environment. The compatibility between cultural values of the importing and the exporting countries determines the transferability of the management theories from one to another country. The researchers and the practitioners this transferability is very important for the organization to work in global market.

17.7.2 Globlization

Globlization is a process of growing interdependence between people of all nations. Globalization is not the new phenomena, and it is characterized by the continuous flow of trade, capital and information, as well as mobility of individuals, across boarders.Globlization has become a reality today. Trans-cultural or multi-cultural environment in MNC's means the inclusion of all distinguishable parts of cultural values and beliefs of both home and host, which could be labeled universal. The identification of the similar cultural values and beliefs among home and host countries is the major task for the managers.

17.7.3 Changes in the Global Business

The global market is becoming a challenge for the corporate, because the present scenario of the change, innovation, and novelty of ideas and concepts makes it necessary to a corporate to be competitive in terms of workers, managers and individuals .The failure and the success of one nation also affects the other too. It is important for all the countries to live in harmony and create synergy so that they can chase the pace of the global change. The four important aspects of the business; trade, capital movement, movement of people and spread of information technology are considered as the synonym for the globalization. However the trade and the technology are considered the two leading forces of the global changes .Global market, global technology, global ideas, and global

solidarity can enrich the lives of the people everywhere. The main challenge of the corporate is to ensure that the benefits are equitably shared and that the interdependence must work for people — not for just the profit.

17.7.4 Multicultural Education andTrans-Cultural Values

In this global world the need for the multicultural education is increasing. No doubt during the increasing interconnections among all the nations in the world particularly when we face the problem of number of global issues of nuclear weapons, terrorism, human rights and scarce resources and international business we have to give importance to multicultural education.

The global perspective of the multicultural education can be served by higher education.

Multicultural education has two perspectives:

1 . Assimilation or "melting pot" perspective

2. Pluralism or "global perspective"

1 Assimilation perspective : According to this culture though the micro culture are important but these should give up their original culture and identities and merge into the bigger culture. The members of the small culture are accepted by the bigger culture and the predominant bigger culture tried to suppress the other cultures and the micro cultures have to give up their original identity, values, language, bahaviour and communication styles. And there may be threat to the national unity.

In the initial stage of this perspective the purpose was to bring unity through the shared culture because the micro culture was absorbed in the shared culture. But now it is becoming very difficult to achieve this objective because the resultant culture does not reflect the cultural diversity. So the education system has to create the system which promotes the democratic values, cultural pluralism and culturally diversified societies, nations and interdependence.

2. Global perspective : The purpose of the global perspective is to respect and appreciate all the cultures and maintain the equity amongst the various cultural groups. It also recognizes the cultural diversity as an

ideal. The institution of the higher education here play an important role and include the global perspective of the multicultural education in order to remain academically competitive in relation to the whole world.

Check Your Progress-A

1.   State whether the following statements are True or False:

i.   Values are at the core of the heart.

ii.   Instrumental Values are the means to achieve the desired results.

iii.   The value based decisions of the managers do not influence the stakeholders.

iv.   Globlizationdoes not mean the continuous flow of trade, capital and information, as well as mobility of individuals

2.   Fill in the blanks:

i.   The failure and the success of one nation also affect the____too.

ii.   Globlization is a process of growing _____ between people of all nations.

iii.   Fraternal relations(Prema) always bring the_____ harmony.

iv.   The managerial values and cultures become significant when the organizations cross the _____..

17.8   QUALITY OF WORK LIFE

The integration of the socio-psychological needs of the employees, the requirement of a particular technology, the structure of the organization means "the quality of working life." Thequality of work life makes themembers able to satisfy their personal needs through their experience in the organization. It is a fact that an individual's life can't be compartmentalised and any disturbance on the personal front will affect his/her professional life and vice-versa. Therefore, organisations need to start focusing on the overall development and happiness of the employee and reducing his/her stress levels without jeopardising the economic health of the company.

The higher productivity and greater job satisfaction of the employees can be assured only with the help of better QWL. It creates the culture of work commitment in the organisation and the society. The cooperation and contribution of the employees can be increased with the

focus on creating a favourable human work environment. Each organisation has its own way of achieving this. But the most common elements adopted are:*

Decent wages, convenient working hours, conducive working conditions etc. are various important concerns which have been discussed these days. The term "Quality of work life" has appeared in research journals and the press in USA only in 1970s. There is no generally acceptable definition about this term. J. Richard and J. Loy define QWL as "the degree to which members of a work organization are able to satisfy important personnel needs through their experience in the organization."

Any activity which takes place at every level of an organization and seeks greater organizational effectiveness through the enhancement of human dignity and growth is called QWL. It is a process through which the stockholders in the organization management, unions and employees — learn how to work together better to determine, what actions, changes and improvements are desirable and workable in order to achieve the twin and simultaneous goals of an improved quality of life at work. It is applicable for all members of the organization.

17.9   EXPECTATIONS OF THE WORKERS

Richard E. Walton explains quality of work life in terms of eight broad conditions of employment that constitute desirable quality of

work life. He proposed the same criteria for measuring QWL. Those criteria include:

(i)   Adequate Pay : QWL is basically built around the adequate pay. There are different opinions about adequate compensation. The committee on Fair Wages defined fair wage as "the wage which is above the minimum wage, but below the living wage". The employees must be paid their adequate share in the progress and prosperity of the organisation.

(ii)   Favourable and SaferEnvironment :According to Factory Act 1948 and many other labour laws the workers should be free from health hazards at the work place. The most required provision by the present workers is the environment free from hazards which arise from natural and unnatural things. Most of the organizations provide safe and healthy working conditions due to our humanitarian requirements and/or legal requirements. In fact, these conditions are a matter or enlightened self interest.

(iii)   Scope to Use and Develop Human Capacities: These days the workers are not only concerned about their pay prospects but also they want to improve their technical and academic skills. It is now the need of the organisations that the workers should be provided such facilities to improve their skills to enable them to improve their career prospects. QWL is improved… "to the extent that the worker can exercise more control over his or her work, and the degree to which the job embraces and entire meaningful task" … but not a part of it.

(iv)   Job Security : The stability of the job is also very important for the workers. The whimsical personnel policies of the employers may victimise the workers. The employees oppose the layoff and retrenchment and want job security these days.

(v)   Work and Quality of Life: The balanced relationship among work, non-work and family aspects of life are the main aspects of the QWL. The workers should not be overloaded by working hours including overtime work, work during inconvenient hours, business travel, transfers, vacations etc. so that their social and work life will be balanced.

(vi)   Social Relevance of Work: Any work which is useful to society makes the self esteem of theworker higher and in the same manner if the self esteem is higher the workers will perform in favour of society.These days

the workers are not only concerned with their pays but also with the improvement in their technical and academic skills. So it becomes very necessary for the employers to provide such facilities which may help the workers to improve.

17.10 METHODS TO IMPROVE THE QWL

The quality of the working life may be improved with so many approaches, the following approaches may be followed :

1.   Flexibility in working schedules : Long and tense working hours make it necessary to relax the worker. They demand more freedom in scheduling their work. The quality of the working life may be improved by providing the workers the alternate schedules according to their demand. This method will definitely enhance the QWL. These alternatives are :

(a)   Flexi hours : This is the system of the flexible working hours.

(b)   Staggered hours : There are number of workers and the different groups of the workers may begin the work at different time and finish at different intervals.

(c)   Compressed work-week : The workers may work for more hours per day for fewer days in the week, this way they may have extra days for completing their personal work, e.g. five days a week.

2.   Autonomous workgroup : The decision related to the production methods, distribution of tasks, selection of team members and leader etc are basically the jobs of the managers, but by giving freedom to the work group to take decisions about all such aspects may definitely enhance the involvement of the workers ,which may result in improving QWL.

3.   Job Enrichment : The employee should be provided the nature of job which is interesting , exciting and challenging for him. By job enrichment the workers may be stimulated to work harder, and it improves the quality of the jobs. The higher level of needs may also be encouraged among workers.

4.   Scope for growth and advancement : The achievement oriented employees are keen to grow and make advances in their career. The

workers may feel highly motivated if they are provided opportunities for advancement and growth and particularly develop their personality. This will definitely increase the commitment of the employees towards the organisation.

5.   Participation of employees : The participation of employees in the decision making process is good for the development of the organisation too. The workers are in need to take participation in those decisions which influence the workers' life.

Check your progress-B

1.   State whether the following statements are True or False:

i.   The quality of work life makes the members able to satisfy their personal needs.

ii.   Better QWL cannot be directly correlated with the satisfaction of the employees.

iii.   The quality of the working life may be improved by providing the workers the alternate schedules according to their demand.

iv.   The higher level of needs may also be encouraged among workers with the help of job enrichment.

2.   Fill in the blanks:

i.   Long and tense working hours make it necessary to _____.

ii.   In _____ the workers may work for more hours per day for fewer days in the week.

iii.   Any work which is useful to society makes the self esteem of the worker _____.

iv.   The workers are not only concerned about their pay prospects but also they want to improve their _____.

17.11   SUMMARY

The term value is of great importance in the present world, while the management practices are increasing and becoming more complicated.People have different type of attitudes and reveal different pattern of behaviour. The classification of values facilitates to understand why do people behave in different manners. That is why the thinkershave

given different classifications of values which are actually important in managing business. The corporate knows the importance of the transnational business environment. The most important concept of the transnational business environment is multi-cultural or the trans-cultural activities. The managerial values and cultures become significant when the organizations cross the national border and go to different countries. The value of transnational education has become very important and the experts are thinking about the aspects. The QWL is also an important aspect regarding the improvement in the working condition and this QWL improves the performance of the workers.

17.12   KEYWORDS

·   **Autonomous workgroup**: The workgroup are given freedom to take decision about   the production methods, distribution of tasks, selection of team members and leader etc

·   **Flexi hours:** The workers are given opportunity to work according to their comfortable timeslot.

·   **Fraternal relations** (Prema): always bring the industrial harmony. It is accepted now that the workers, managers and all others are as the members of a family.

·   **Job Security:** The workers need the security about the job, this increases their satisfaction level and performance level of the workers .

·   **Participation of employees:** There is the great requirement of the participation of the workers in the decisions which affect them directly.

·   **Whimsical personnel policies:** When the employers make the policies which don't have clear explanation and which does not tell the actual result after the implementation of the policy then it is called whimsical personnel policy.

·   **Value:**Values are the set of principles that people follow and cherish

17.13 IMPORTANT QUESTIONS

Q. 1.   Explain value and its characteristic. Why the experts have

explained the different types of values?

Q. 2. What are the factors affecting the values?

Q. 3. How do the values play important role in business?

Q. 4. Why is the transnational business environment is an important aspect in the present business world?

Q. 5. Define QWL. What are the relevant elements of the QWL?

Q. 6. What are the general expectations of the workers? How does the QWL may be improved? Explain methods of improving QWL.

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ANSWERS TO CHECK YOUR PROGRESS

A. 1. (i) True (ii) True (iii) False (iv) False

   2. (i) Other (ii) interdependence (iii) Industrial (iv) National border.

B. 1. (i) True (ii) False (iii) True (iv) True

2.   (i) Relax the worker.   (ii) Compressed work-week   (iii) Higher

      (iv) Technical and academic skills.

UNIT 18 JAPANESE MANAGEMENT TECHNIQUES

Unit Structure

18.0   INTRODUCTION

The magic of the Japanese management goes to the heart of the problem of the management .Japan a hundred years ago was an underdeveloped country by every material management. But it very fast threw management of great competence , indeed of excellence. Within 25 years Japan become the developed country , and it was actually Meiji Japan rather that 18th century England or even 19th century Germany which has to be the model of development for the underdeveloped world.

Perhaps the greatest achievement of Japanese management is in the task of generation and the direction of human energies.

Japanese management techniques or the Japanese management style came into existence in the post –world war II era. Number of these techniques were the main source of the bringing the Japanese economy to its status as the world's second largest after the United States.

And which made Japanese businesses, particularly in the manufacturing sector, more competitive than their international counterparts. The effectiveness of some traditional Japanese management practices were questionable then andas a result, at the dawn of the 21st century Japanese management techniques are more than ever in a state of flux, as scholars and business leaders alike reconsider which practices work and which don't.

Nihonteki Keiei or Japanese-style management, has become a popular phrase in the West. It refers to what people see as substantially different between Japanese management techniques and those widely practised in the West (Whitehill, 1991).The differences often cited are: lifetime employment, job rotation, promotion-based seniority, group consensus, just in time, quality circles, Kaizen, and the suggestion system. Most of these techniques have become well known across the world

18.1   OBJECTIVES

After going through this unit you can understand -

a)   Magic of Japanese management

b)   Just in time approach

c)   Total quality management

d)   Quality circle and Brain starming

18.2   HISTORICAL CONTEXT

The origin of the JMT and economic strategies are old but they the their recognition was late in western countries.Most directly, their origins can be traced to at least the latter part of the 19th century, when a Western influenced modernization program began under the new monarchy created in the 1868 Meiji restoration. The Japanese government started

to open the Japanese economy in the reply of the bitter experiences of the colonization of its Asian neighbours .The Japanese government wanted to control the outside influences in order to stave off any Western conquerors.

In 20th century practices, the main objective was to preserve the Japanese culture and the autonomy of the economy. Long-standing restrictions (direct and indirect) on imports into Japan and concomitant trade surplus are the evidence which made it clear that Japanese culture was preserved for years. The large and complex families of interdependent companies centred around their own banks. They avoid "importing" their raw materials, components, or capital from "foreign" companies.

18.3 THE MAGIC OF THE JAPANESE MANAGEMENT

The Japanese management achieved the status due to the task of the generation and direction of human energies. And it becomes more remarkable when the lack of resources in Japan is taken into consideration. The complex Japanese management needs to be studies carefully , and with this careful analysis the essential elements can be mentioned which have enabled the Japanese management to reach the pinnacle of productivity and progress in 1970's.

18.3.1 A Vibrant Company Philosophy

According to the Japanese company philosophy the development is the matter of human energies rather than of economic wealth. And the generation and direction is the task of the management. The basic theme of the Japanese philosophy is to raise the aspirations , ideals and beliefs of those associated with company which in turn create a set of attitudes. And the attitude which is favourable to the organisation motivates the managers, supervisors and employees to achieve the goals which are high, noble and fulfilling. This is a natural phenomenon of Japanese culture. And this culture collaborates the Japanese in groups to achieve the goals of the society and nation.

The example of the philosophy of a Japanese company can make it clear that it raises the sights of its employee to a higher plane and

purpose : "Matsushita Electric" has close ties with society, whose brand name is "National". According to the company philosophy the society expects something of company. The company has the agreement with the public ,which is invisible and inaudible , and yet the company's supreme objective is to understand and fulfil that agreement. And for that purpose the company has established a basic business policy. As long as they produce high quality products and make them available to the public, their activities will always be appreciated by the society. And as a response this will enable the company to continue growing and lead it closer towards fulfilling its duties as a public institution. The more conscious their employees become of this duty, the more successful their company will become in achieving excellent results. Their basic philosophy is as :

"view the basic business principle of all of our work as being to serve the public and contribute to the society"

"The more we contribute to society, the greater our own rewards, in the form of income and happiness, will become."

"In short, we are rewarded through our service to society"

At higher purpose, along thinking, high quality products, welfare of the society, service to the customer, an ethical principle, integrated ideals, a consistent determined attitude are all evolved into an unique company philosophy, which provides the drive, motivation, direction and guidance to all the employees to reach something beyond.

18.3.2. A Distinct Corporate Culture

The traditions of Japan, their culture social moves leave important impression on the evolution of the distinct corporate culture which encourages the unique form of relationship between management and labour in the interest of the economic health and welfare of the company. The result is loyalty and commitment towards employees on the part of the company and management, and tremendous loyalty and commitment on the part of the employees to their company. The Japanese society expect this type of relationship in a company and will oppose any policy which favours "hire and fire" policy of management . It is dined into the Japanese worker that he should not work for the purpose of being rewarded. Rewards should come as the result of his contribution.

18.4 LONG RANGE HUMAN RESOURCES DEVELOPMENT (SHUSHINKOYO) /LIFE TIME WORK

The long-range human resource development is the result of Japanese philosophy of life time-one-company-career of employees. Linked with the lifetime-employment system is the emphasis on seniority in compensation and promotion—often over what Americans would take to be "qualifications" for the job. Japanese managers typically take a more long-term interest in their firms than do their American counterparts, partly a result of the lifetime employment and seniority systems. Since the Japanese society and culture expects the company to hire for life time, the company invest a lot on educating the employees about company philosophy and culture. The employees are trained in the necessary skills, habits and attitudes and developed through a variety of on the job experiences and off the job training. The employees are visited by management and utilised where they are fit in well with the organisation

In the many other industrialised countries the changing of jobs is very much common, but in Japanese industries the recruitment system is closed system and the thought of changing companies in the mid career is hardly thought by most of the Japanese individuals. The main objective of offering lifetime employment or a job for life is to provide workers with a sense of security and identity.

These days the management is forced to cut the number of lifetime employees, such as witnessed recently during the recession following the Asian crisis,, Japanese firms usually encourage early retirement.as 'shoulder-tapping' (kata-takaki)is practiced by urging senior individuals to resign voluntarily.Shukko is the Japanese term for transferring staff to other companies (subsidiaries and suppliers).This option is also used by them by lending of these employees to other companies or sending them to a subsidiary or subcontractor, often with a more prestigious title but harder work and less pay (Whitehill, 1992: 132).

No doubt these changes in the Japanese corporate is the reason of sig nificant decline in the commitment to the security of lifetime jobsin Japan since the recession. They Japanese corporate know that they have

to survive in the present as well as next century.. The old lifetime system was enshrined in the pay system and amounted to iron links that chained employees to their employer. Workers could not leave because rises were limited during their employment until they reached their mid-fifties when they received a huge lump sum. Under the new system of short contracts, wages can be drawn from this fund each month.

Subcontracting, and the reliance on part-timers(rinjiko),is now widely introduced in Japan. Part time workers are not eligible for any social insurance, pension, union rights, or paid holidays. They actually help the corporate to reduce labour cost and provide the need for labour with low cost.Low wages, unskilled work, and lack of union protection are all characteristics of such temporary employment status.This change in the employment system is now causing serious social unrest among the Japanese.

18.5. TOTAL EMPLOYEE GROUP INVOLVEMENT IN PROBLEM SOLVING

The total involvement of the employees in problem solving and helping the company to reach the right decision at the right time is the outstanding feature of the Japanese management. Japan emerged as the world's largest most efficient producer of steel because 2,16,000 workers in the steel industry submitted 2.3 million voluntary suggestions to improve productive and quality control in 1981..

An executive of Japan Iron &Steel Federation revealed that on an average each worker in the steel industry 10.6 suggestions to cut costs and improve productivity in 1981. Just 85% of the suggestion were adopted. And this was the reason why the productivity of steel per worker increased up to five times during the past 20 years(1981). He further illustrated " We have 30,566 quality control circles in the steel industry. Each group meets in their own time to set up goals which will improve the productivity and cut costs. For example 56,000 employees in Nissan Motor Corporation submitted 1.2 million suggestion to improve productivity and quality control in the company in 1981." This was most surprising to the Western delegates.

One more example of Nissan's Corolla plant can be taken to explain the importance of the Quality Circle. A western reporter is amazed as what

goes on at the shop floor of Nissan's Corolla plant :

" The concept of them and us simply does not exist in Japan. When I visits Corolla plant Hiraiwa, the manager of no. one assembly line , spent the 15 minutes coffee break talking with five assembly worker and their group leaders. When I suggested it must be unusual for managers to come in to the shop floor for that kind of the suggestion, he looked mildly surprised. He comes to the shop floor everyday and he said :'Toyota makes car in the factory, not in the office' and burst out laughing , 'Managers and workers eat in the same canteen'. The labour force cares about the cars it makes. Huge boards to the company motto, 'Good thinking Good products' are displayed in the plant.

"But perhaps the most conclusive evidence of involvement at Toyota can be seen running above the length of every assembly line. The red "Communication Cord" is for anyone to pull if he finds something wrong with the vehicle when it reaches to its work station or if he has a problem himself. He will sort out the fault or the difficulty if he kkcan or he will make sure it is taken care of the down line. As one group leader explained : 'Everyone in Toyota in an inspector.'

The system which was adopted by Toyota is now well established everywhere in Japanese motor industries, and Ford also introduced the system in America. Ford may be able to borrow production technique but it can never be able to produce spirit of cooperation which is the basic culture of Toyota

18.6 TAKING THE 'OUCH' OUT OF RESTRUCTURING: RECRUIT IN JAPAN(I/O)

Staff cuts are the need of the present world and no doubt the Japanese companies are also facing the same pressure to retrench workers. For that purpose the I/O system is used by them to achieve the same result without pain.Input/Output concept was developed to symbolize the position's independent spirit.. People who take up the IO position are hired on a contract basis and are allowed to follow their own job schedules. In addition, they must make clear contributions to the company's development and are chosen for their special skills. They are hired to make clear contribution to the company and are appointed because of their special skills.

Opt and Fellow positionsis the part of the new management system, The Fellow carries the highest status and is coveted for its high salary, though bonuses are not included. The Fellow is chosen on the basis of his or her exceptional performance. It is also designed for Recruit employees who are not satisfied with their jobs and want to resign and start new projects of their own. The Opt scheme has trimmed excess staff, helping the company in its restructuring efforts.

Source: Taken from S. Kaukuchi, 'Problems and Pills—The Soft Touch', Asian Business, 1 Dec. 1999

18.7 JOB ROTATION

Dojo is the name given to Japanese firms, because it is considered as the training place where one practises the martial arts of life (Whitehill, 1992: 162). Motivation of the workers, improvement of their performance, and thus better efficiency and productivity can be achieved with job rotation.. The employee is put on a job rotation scheme for the first ten year.The management trainees are expected to learn and acquire considerable expertise in a number of areas of the firm. Then the potential workers are identified as top management candidates and are rotated through key departments on a regular schedule to develop themselves more (Keys et al, 1998). After ten years, the first real threshold is reached and the employee may be promoted to kakari cho (sub-section chief) or kacho (section chief.At about age 45,after twenty years,more of the employees reached at third threshold. Those individuals who have built up impressive records of accomplishment through the years, at about age 52–5 will be promoted to a directorship (Whitehill, 1992: 163–4). This way job rotation is identified as the tool for creating the a company well rounded company man and the senior managers are trained to understand the company as the holistic system.

18.8 SENIORITY BASED PROMOTION (KOHAI/ JUNIOR – SEMPAI/SENIOR)

In Japanese society the hierarchical structure is given importance in previous days also. The natural order of human relations is the result of Confucianism which is practiced in Japan. . According to Confucianism,

one of the most important values is respect for elders. The seniority in business is determined by more on the basis of age and the period of the service than by individual skill or initiative. The junior and senior level is needed to be defined clearly in the organisation otherwise it becomes very difficult for them to work freely.

Entering employees are usually paid a standard base rate with no great difference related to company size. Added to the base rate is overtime pay earned by ordinary employees for work beyond the normal working week or at night or during holidays. In addition, a position allowance is typically paid to employees holding formal supervisory posts in the firm.

But these days the process of promotion which is based on seniority and length of service is under greatest pressure. The Japanese companies are doing the best efforts to eliminate the seniority principle completely, though the seniority and years of service are still an important component of fixation of the wages and salaries. They have become increasingly aware of the dysfunction of reward systems based on seniority and have been gradually introducing merit as a factor in pay rises.

18.9 JAPANESE DECISION-MAKING PROCESS (RINGI)

The most important features of Japanese management system of

decision-making isringi (Fukuda, 1988: 65).). Ringi means submitting a proposal and requesting a decision, and denotes deliberations and actual decisions.The ringi system comprises two methods: nemawashi and ringi seido. Nemawashi refers to dealing with the roots of trees.. Business decision-making involves a process, with careful attention being given to the preliminary stages of the process. In this process the emphasis is given to the practice of preliminary and informal sounding out of employees' ideas about a proposed course of action or project.

The Japanese think an issue over thoroughly, define the question, put it all down on paper, and pay immense attention to all aspects of nema washi. Many people give their views on it with consensus management and group consciousness, and definitely the decision

becomes sounder and that is why the implementation of the decision becomes easier because the employees are committed. Consequently, when the proposal reaches the president he can, in theory, pass it back and say: this is your idea, get on and implement it. This way the chances of miscalculation are rare and this is in favour of Japanese sense of values.

Not only this but the employees at lower levels can initiate proposals or work out plans, which are then transferred upward to higher levels of management. The joint responsibility of all employees for the successful implementation of the new idea since they have all been involved in the process.

18.10 JUST IN TIME (JIT)

Since the early 1970s JIT has been applied in practice in many Japanese manufacturing organisation, and it is now a Japanese management technique.. It was first developed and perfected by Tai-chi Ohno, Toyota vice-president. The concept is that one should supply parts, as they are needed.The consumers' demand should be met with minimum delays.

JIT gained extended support during the 1973 oil embargo and the increasing shortage of other natural resources, and was later adopted by many other organizations. A method of reducing inventory levels within Japanese shipyards raised the need for JIT philosophy in management. JIT manufacturing is that the system which strengthens the organization's competitiveness in the market-place substantially, by reducing waste and improving product quality and efficiency of production, and this is of the great benefit tothe organisation. JIT can also be used as a means of obtaining the highest levels of usage out of the limited resources available.

The companies can filter out the waste in the production process, improve the quality, and satisfy the consumer demand in an efficient and reliable manner. The principles and objectives of JIT are universal. And they can be applied any where and even the organisations are of different nature. JIT helps to increase the organization's ability to compete with rival firms and remain competitive over the long run. An optimal process for manufacturing the products can be developed through JIT and it enables the organisation to compete the rival firms, they can also

provide a superior service, and can develop the superior means of production which makes the firm efficient enough to survive in the competitive market.

The manufacturing method of JIT must be fully adapted to the organisation. JIT may be useful in assisting the organization to define, direct, and prepare for implementation though every organisation is unique in its production process. The goals of the organisations are also different and the organisations have to aim at the different manufacturing process.

18.10.1 Different Manufacturing Process with Different Goals

Identifying and responding to consumer needs.

This goal will assist the organization in focusing on what is demanded by customers and required of production. The fundamental purpose of the organization is to produce products which its customers want, therefore, developing a manufacturing process which produces quality products will ensure the organization's viability.

Aiming for the optimal quality/cost relationship

If the manufacturing organisation cannot maintain cost while maintaining quality then it is of no use to aim for the optimal quality/cost relationship.Emphasis should be placed on developing a manufacturing process that aims for zero defects.This may seem like an unrealistic goal; however, it is much less costly to the firm in the long run as it eliminates redundant functions such as inspection, rework and the production of defective products

Eliminating unnecessary wastes

Some waste may be eliminated which do not add value to the product. So the organisations aim at eliminating these wastes..

Focus on the relationships between the suppliers

The timeliness of deliveries, efficient inventory and materials and the reassurance of the supply of the material whenever required can be possible with the good relationship with suppliers. The most important thing is that aiming good relationship may make the organisation more efficient.

Adopting the Japanese work ethic of continuous improvement

The organisations aim at the continuous improvement of the workers even though the high standards are already being achieved. This will assure the competitiveness of the organisation and continuous strive for means of fulfilling consumer demand.

JIT a long term process

It cannot be implemented in short period of time and the rewards of JIT also cannot be realized overnight. The example of Toyota can also be given here as it took ten years to perfect the JIT technique within its plants.

Check your progress-A

1.   State whether the following statements are True or False:

2.   Fill in the blanks:

18.11 TOTAL QUALITY CONTROL

Initially developed by Professor William Deming of New York University, TQC could not get popularity in USA. The Japanese adopted it as the method for reviving their war-torn economy.. In the TQC concept, quality by inspection, scrapping, and reworking are unacceptable. The corrective measure must be built into the entire productive process. According to this control system every individual employee is engaged in giving the guarantee of total quality of his own products. He is also required to help to improve the overall quality of the company's product.

In west this role is specially played by the QC engineers and it is taken as part of separate QC activities. . By contrast in Japan, TQC is a movement centred on the improvement of managerial performance at all levels includ ing quality assurance, cost reduction, meeting production quotas, meeting delivery schedules, new product development, productivity improvement, supplier management and safety

18.11.1 Deming's 14 Points on Quality Management

A core concept on implementing total quality management, is a set of management practices to help companies increase their quality and productivity.

1. Create constancy of purpose for improving products and services.

2. Adopt the new philosophy.

3. Cease dependence on inspection to achieve quality.

4. End the practice of awarding business on price alone; instead, minimize total cost by working with a single supplier.

5. Improve constantly and forever every process for planning, production and service.

6. Institute training on the job.

7. Adopt and institute leadership.

8. Drive out fear.

9. Break down barriers between staff areas.

10. Eliminate slogans, exhortations and targets for the workforce.

11. Eliminate numerical quotas for the workforce and numerical goals for management.

12. Remove barriers that rob people of pride of workmanship, and eliminate the annual rating or merit system.

13. Institute a vigorous program of education and self-improvement for everyone.

14. Put everybody in the company to work accomplishing the transformation.

18.12 QUALITY CIRCLES

Quality circles which have been popularized by Japanese firms are being used all over the world because of the benefits that accrue to the firm. A quality circle involves participation from a small group of employees doing the same type of work. They meet regularly to identify, analyze and solve the problems that arise during the course of their work and their association with the organization.

The basic objectives of quality circles are to develop and utilize human resources effectively, to develop quality products, improve the quality of work life and sharpen and utilize an individual's creative abilities. There are different steps involved in the development of quality

circles from getting started to problem-solving. Communicating the importance of quality circles to the employees is of prime importance.

The next step is the composition of a quality circle. Then the stage of initial problem solving through which employee suggestions are presented, follows. The suggestions are then evaluated and the best one, chosen by consensus, is implemented. Various techniques like brainstorming sessions, fish bone diagram and sampling and charting methods, are used in quality circles.

Problems arise in the implementation of quality circles because of lack of understanding regarding the concepts, low education levels and training, delays in execution and operational problems. Most of these problems can be resolved through effective training of employees and management support.QCs do not provide quick-fix solutions to all organizational problems but the potential benefits an organization can experience through their use outweigh the costs. Some of the benefits include:

1.   increased employee commitment through participation and consensus decision making;

2.   increased sense of employee ownership and control;

3.   a mechanism to realize employee potential;

4.   improved communication between employees;

5.   increased motivation and employee morale; and

6.   effective means of training (Werther et al., 1990).

18.13 BRAINSTORMING

When people use their collective imaginative power to create ideas and solutions then it is called brainstorming. The regular meetings of the members of the quality circle is the main feature ,through which they identify problems and develop solutions. The opinion of a few selected employees is avoided in quality circle and all the members are required to participate in decision making. Although this represents the ideal practice, in actuality, there will always be some group members who are hesitant to offer their suggestions.

The Five Whys

This can be applied to any problem to determine its real cause. The

underlying purpose of asking why five times is to avoid attributing a false cause to the problem. The tendency for most people is to assign the first symptom or cause identified to be the root of the problem, whereas there may be several causes or symptoms.

18.14 THE CONCEPT OF KAIZEN

The Kaizen philosophy assumes that our way of life—be it our working life, or social life, or our home life-deserves to be constantly improved. It is generic and can be applied to every aspect of everybody's activities. Kaizen is one of the most popular concepts In Japanese management. This is also the key of the success of the Japanese managers and they devote at least 50% of their attention to Kaizen. , Japanese companies are even now competing in introducing better and faster Kaizen programmes (Masaaki, 1986: 16). Once the Kaizen movement has been started, there is no way to reverse the trend. Kaizen is an ongoing process.

For the fulfilling the demand of maintenance the managers maintain the standards through training and discipline. By the contrast the improvement means to improve the standards and establishing higher standards. Improvement can thus be broken down into Kaizen and innovation. Kaizen means small improvement in the ongoing efforts and innovation means a drastic improvement as a result of the large investment.

Kaizen strategy is the recognition that management must seek to satisfy the customer and serve customer needs if it is to stay in business and make a profit. Improvements in such areas as quality, cost, and scheduling (meeting volume and delivery requirements) are essential. Kaizen is thus a customer-driven strategy for improvement leading ultimately to customer satisfaction

People orientedfeature of Kaizen contrast sharply with the result oriented thinking of most Western managers where the individual's contribution is valued only for its concrete results. It does not necessarily call for a large investment to implement it. However, it does call for a great deal of continuous effort and commitment. In short Kaizen means investing in people.

18.15 SUMMARY

Japanese management style came existance in the post-world war evaII. Various techniques were used to boost the economy.

In TQC quality by inspection, scrapping and reworking are unacceptable. There are 14 points of TQC.

The basic objective of quality circle are to develop and utilize human resource effectively to develop quality products, impare the quality of work life and sharpen and utilize and individuals creative abilities.

18.16 IMPORTANT QUESTIONS

1.   What is quality circle?

2.   Explain JIT ?

3.   Explore the magic of Japanese Management?

4.   What are the highlights of Japanese decision making process?

5.   What is Kaizen?

6.   Explain Brain storming?

18.17 SUGGESTED READINGS

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UNIT- 19 HUMAN VALUES IN MANAGEMENT: INDIAN PERSPECTIVE

Unit Structure

19.0   INTRODUCTION

There are cultural as well as social differences in western and eastern culture, that is why western models and theories cannot become universal. All the management and work activities in any enterprise depend on the social values of its members who are cultural bound.

When western theories and models are borrowed by the eastern countries the problem arises during the implementation of a foreign model in the host country due to the change social and cultural soil. The socio-cultural environments and tasks of the organisation need to be matched with managerial style adopted. In India the problem of socio-cultural environment is very deep and people still remain traditional making and adopting such modern industrial system. Moreover, in India it is not possible to claim a common culture. That is why it is necessary to develop and have our own managerial style which suits to our prevalent way of life.

A long history of philosophical debate to the complex nature of values/ethics and validity of business still needs more discussion over it. To lead ones business life the role of ones' inner life is very important. Business need not be unethical, evil or tainted. All is a matter of attitude and approach, which is based on three major attributes:

1.   Formulating attitude of business

2.   Humanization of management

3.   Interiorization of management

It becomes so important that the fresh thinking is needed to be developed to underline the role of man in contrast to mere emphasis on the wage earner. It is very difficult to understand the nature of the human values because they are so intimately associated with distinct concepts that they cannot be effectively separated from some perspective :

1.   Economic Value : The centre to traditional economic value theory is exchange or market value of a commodity. The economic value and values of individuals or societies is not considered as distinct aspects. The economists distinguish between them, while in welfare economics it means much the same as preferences or tastes. And no doubt that such values may be realized by the appropriate allocation of resources.

2.   Value assessments and imputations : Value assessments means that something is there which affect the life of someone .And value imputation means that someone or some group has, holds, or subscribes to some value. Assessed values thus becomes measurement of the

capacities of various kinds of entities, including persons, to confer benefits, whereas imputed value are measure of tendencies of persons to promote certain ends, for certain reasons.

3. **Instrumental and intrinsic values:** The instrumental values and intrinsic value are distinct in nature. Instrumental values are the means to something else and intrinsic values are desired for themselves(such as goodness, truth and beauty.)

4. **Attitudes and opinions :** The distinction between attitudes and opinions is not taken as important aspect and was not found useful to distinguish. That is why a survey of values becomes a survey of opinions and attitudes. It is assumed that some attitudes may be considered as relating to values.

19.1 OBJECTIVES

This unit is mainly a work over the human values with special concern to Indian perspective. The main objectives of the unit are given below:

- To show the Complex nature of human values

- To make clear idea about the Indian Culture ethos and work culture

- To determine the role of the human culture in the Organization

- To describe the correlation of Indian culture with spirituality

19.2 INDIAN CULTURE ETHOS AND WORK CULTURE

The values which were taught over the past 5000-6000 years are of now great relevance. This is our priceless heritage but we are not that much aware about it Adi shankracharua called it the 'accumulated treasure of spiritual truths discovered by the Rishis'. Rabindranath Tagore quoted 'India is destined to be the teacher of all lands' but the need is to recognize the great treasure and practice in routine.

19.2.1 Culture

The 'way of life' which is assessed as the shared values, philosophies, ideologies, assumptions ,expectations, attitudes and

norms that knit the community together is called as culture. These interrelated qualities unite the group so well that they are agree to approach the decisions and problems. The cultural values are generally developed by people based on the importance , the way of accepting the values and the manner in which the things should be. This culture is the integration of human group ideas, customs and traditions in a unified pluralistic system. The culture is the 'collective manifestation of human nature' the collection of the human dynamics, wants motives, and desire that make a group of people unique.

19.2.2 Determinants of the culture

Culture comprises of various factors which are responsible for the prevalence of a particular culture in an area. One of these is language, which is the most important factor to determine culture. It takes into consideration hierarchy, international language, linguistic, mass media, official, pluralism, spoken, written, etc. Values and attitudes also influence culture in the form of achievement, change, decision taking and problem solving etc .Law contains the Constitution and legislations of the country, Education also influences thought process and approach to life of an individual. Technology is another important factor which affects the culture, in thr form of communications, energy system etc .Economy of a country also gives influence in terms of growth, development, prise mechanism and privatization etc.

19.3 ORGANIZATIONAL CULTURE

How the managers should mange themselves and other employees? And how should they conduct their business? These are the important questions which show that what type of the culture of an organisation has .Most of the time the mangers are not aware of these beliefs but they have major impact on the culture of the organisation.

19.3.1 Characteristics of Culture

The basic characteristics of a culture are as follows:

19.3.2 The Original Model of Culture

1.   Power Culture When there exists the relationship between the person who is the source of power, and is in the centre and the people who draw strength, influence and confidence from the centre, then it is called power culture.

2.   People and Person Culture In organizations, people have common interest to band or form together and try to establish the organization, this creates the person and people culture. And this key relationship binds them to the intrinsic common interest.

3.   Task Culture When Team work is done in any area of management, like project team, marketing group and marketing-oriented organizations, task culture can be seen there. The main emphasis is on completing the job and keeping the customer and client satisfied. The

responsiveness towards identifying new market opportunity is also given importance in task culture. This is flexible, adaptable and dynamic in nature.

4.   Role Culture If the organizations have gained a combination of size, permanence and departmentalization one can find the role culture.This key relationship is based on superior subordinate style of relationship.

5.   Tribes Culture A high level of unity, enthusiasm, ethics, energy and fun is generated and a strong vision from top level is managed in this culture. Here the organization creates the tribe culture.

6.   Pioneering Culture The constant questioning about the ways in which things are done, continuous search for the new market, project and opportunities is the main feature of this culture. It involves attentions to process and practice, technology organization form and structure, customers and staff.

7.   Entrepreneurial Culture In this culture the trust is aimed directly at creating and fostering new initiatives, generating new business ideas and ventures. Then often they sell them on, either in the form of franchises or as sales of assets to other organization. Dynamism, creativity, vision, energy and enthusiasm are the main features of this culture.

19.4   NEED FOR UNDERSTANDING CULTURE

In the world of rapid change, automation and worldwide competition the innovation, growth and realization are necessary. The organisations need to find a way to breathe new life into their cultures. The management styles and procedures are also the important elements in this concern. If managers concentrate more on the management of the corporate culture then they need to improve their understanding with the culture. The management may be able to -develop new method by which they can control the organisation in better way. The corporate strategy is influenced with the culture followed by corporate. Milton Freidman said 'The business of business in business.' This way he emphasised to improve the organizational culture in order to match the changing business environment.

Indian culture has a strong bond of spirituality. The social spiritual culture will be harmed by the toxic organizational culture of greed and corruption,

which will definitely result in negative work climate of suspicion. That is why it is accepted that the socio- spiritual capital may be strengthen with the help of healthy culture.

The old literature has given the proof ,that it is now very necessary to think about the culture and work over it more and more. The culture of the society influences the culture of the organisation. No doubt the people in an organisation come from different place, who follow different cultures, and are ready to accept the new culture of the organisation because they have to work there. But they are preoccupied with their cultures and this affects their way of working and thinking also. This way their different behaviour has the direct impact on the organisation. And a new culture of the organisation emerges if the culture already exision in the organisation is not strong enough.

The organisation try to improve their culture and change according to the thinking of the workers because this makes the workers comfortable with the organisation. And it encourages the workers to work hard because they feel that the organisation has apositive attitude towards workers' values.

19.5 CHARACTERISTICS OF THE ORGANISATIONAL CULTURE

19.6   INDIAN CULTURE AND SPIRITUALITY

In India no insurmountable problems are seen, and the environment in which man live are is conducive to his overall welfare. These environment are social, cultural and natural, and cover all those humans and others lives in and around the individual. Past related thoughts and values play an important role in Indian culture and spirituality, and these thoughts and values are oldest of all cultures of the world. People are becoming more and more materialistic, so it becomes necessary to know more about the Indian culture and spirituality. Meanwhile, foreigners are adopting these values and are more curious to know more and more about the Indian culture. Yoga, meditation and religious morals are now being given importance in the world. Vedas, Mahabharata, Ramayana, and many others are the example of sources of values and spirituality in the world. 'Vasudhiva Kutumbakam' means we all are one family. The fundamental of all fundamentals is that there is only one supreme and spiritual power, which is over and above the universe and material world is nothing but a manifestation of that spirit.

19.7   WORK CULTURE

Work culture means work-related activities and these activities, norms and values are generally conceptualised in an organization. Goals, philosophy, managerial practices, capabilities, boundaries, material and people are the main features of the organization. The employees have their own knowledge, skill, capabilities, needs and expectations. These two establish a set of the rules, roles, norms and values by interacting, this is called work culture.

The common and prevalent pattern of feelings and behaviour in organisation is called Work culture. Formal and informal behaviour of the organization include written procedures, organization charts and mission statement, while later one deals with how employees treat with each other, whether through written procedures or circumvention of them.

Different patterns of work culture are introduced in the organizations by various acting forces. J.B.P.Sinha identified three cultures called; soft, technocratic and work-centric nutrient culture.

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- **Self-work culture:** When the individual or group's interests is the main motive in the organization then it is called solf work culture. In this culture the multiple and conflicting organizational objectives are found in the organization and the employees can selectively pursue their own motives.

- **Technocratic Work Culture**: In an organization where latest technology is used and the importance is give to the quality of products and services, the culture is called technocratic work culture. Strict measures like downsizing and closure of certain unit are the main features in this culture. These organizations are the star performers of te world standards.

- **Work-centric Nurturing Work Culture** : The work is in the centre in this culture, and management is opined reward giver in return of the hard work, and the organization recognises merit, clear norms of performance are established, they are given adequate workload.

19.8 HOW TO ATTAIN POSITIVE WORK CULTURE

No doubt the peace keeping the tougher job then the war making, so is the case of the creating positive culture in the organizations. So it is very important to understand the need for making positive culture in the organization and maintaining it.We have been fortunate to work inside many positive cultures and the overarching feeling is one of purpose and inclusion. People genuinely like coming to work, they feel empowered to create solutions that move the business forward. Winning cultures tend to:

Attract talent that strategically aligns with their values. They are meticulous about hiring for just the right fit.

Focus on the overarching mission, vision and purpose of the company. Passionate focus on the vision creates a platform whereby employees feel connected to the mission and proud to work for the company.

Encourage new and innovative thinking. These cultures solve problems by asking all levels in the organization for solutions.

Set consistent priorities and goals. These goals exist across the entire culture creating clarity for the direction and intention of the company.

Hold each other accountable. This serves as an indicator of how invested the culture is in getting better results and building leadership capacity rather than being about proving someone wrong.

Address *derailing behavior swiftly.* Address behavioral issues and work to understand the reasons behind *why* the behavior began to seep into the culture in the first place.

Work hard. Work hardto develop a culture where trust is a valued currency worth protecting and cultivating through doing hard things together.

What does a winning culture look like?

19.9 INDIAN ETHOS AND MANAGEMENT STYLE

It is very important now for India to know, what are our own management styles which actually suit to our prevalent way of life. The basic characteristic of Indian culture is pluralistic behaviour of the society and its diversity would prove to be the source of strength in the hands of the an effect leadership.Shejwalker (1986) stressed for simultaneous consideration of values to be retained and preserved, norms to be destroyed and values to be created. He emphasised that these processes in operation could lead to indigenous Indian style of management.

19.10 VALUES FOR INDIAN MANAGERS

According to Singh (1979) ** the Indian managers follow the freedom friendly occupational values in the subordination. The main features of the Indian managers are that they are challenge oriented, adventure experiencing, user of specialised talent and creative. The author also pointed out that the dominating goals of the managers are economic gains, stability, security, and more exercise for power. The inclination of the managersin India is towards morality than pragmatism, more bureaucratic humanismorientation than organizational competence in comparison of American and Australian managers.

Soares, Valcha and Venkataraman (1981)*** studied ranks of values as
follows:

Ranks	Values
I	Good work ethics, accomplishment, morals
II	Helpful, emphatic towards superiors, colleagues and subordinates
III	Respect towards colleagues, superiors and subordinates
IV	Patience and morals
V	Higher than self values—God and humanism
VI	Technical competence, learning
VII	Company goals
VIII	Recognition of self, respect for self
IX	Success
X	Concern for clients, creativity
XI	Comfort, security

These rank orders for the values reveals the most dominating
respect for values which are more human oriented than organization. The
materialistic view of point is here dominated by strengthening the human
face, which is sign of a healthy culture. The private sector in India prevails
competitive ability, clear objectives, taking advantage of changes, simple
organisation, committed people, openness, responsibility and quality. But
public sector in India has given the importance to the customer
satisfaction, most valuable resource is people, fairness, integrity and
equity in business dealing, encouragement to creativity and innovations,
quality excellence, discipline and commitment etc.

Singh (1979) observed major dominating values by Indian
managers as freedom from supervision, adventurous experiences or
challenges, use of special ability or talents, creativity or originality,
opportunities to work with people and stable and secure future. It is very
much clear that the managers reflect overall values and ethics of the Indian
society.

19.10.1 Basic principles of Indian Ethos for Management (IEM):

(1.) Immense potential, energy and talents for perfection as human being has the spirit within his heart.

(2.) Holistic approach indicating unity between the Divine (The Divine means perfection in knowledge, wisdom and power), individual self and the universe.

(3.) Subtle, intangible subject and gross tangible objects are equally important. 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.

(4.) Karma Yoga(selfless work) offers double benefits, private benefit in the form of self purification and public benefit.

(5.) Yogah Karmasu Kaushalam- Excellence at work through self-motivation and self-development with devotion and without attachment.

(6.) Co-operation is a powerful instrument for team work and success in any enterprise involving collective work.

19.10.2 Eternal Human Values : Foundations of the Indian Model

The Indian ethics model with its emphasis on holistic development provides us a new model for the future development of human society, in which 'spirit of capital' or the Artha is not negated but is driven by Dharama or ethics. By combining various theories we get a general theory of development,wherein individual, society and organizations are driven by eternal human values and a balanced approach is taken a balanced approach is taken towards material and spiritual development of individuals and society.

Several scholarly efforts are done to formulate conceptual frameworks drawn from Indian ethics for application in management and administration particularly in the corporate context. It is the need of the present to move beyond the American and Japanese models because these foreigner model do not get fit in our Indian culture.

Indian ethics also referred as Indian ethos is at the heart of the Indian model of development. Indian model is totally different from

Western model of 'Protestant Ethics and Spirit of Capitalism', this points only the individualism has a reason of rapidly increasing as mal-developed societies. Three fundamental theories of the Indian scriptures are the base for the Foundation of the Indian model. These theories are, The **Panchkoshas theory, the Purushartha theory, and the theory of gunas.**

Panchkoshas theory provides a framework for holistic self development. It indicates that there should be five side development called **Panchmukhi** development, Annamaya, Pranamaya, Manomaya,Vijayanama and Anandmaya, (Physical, Practical, Aesthetic, Moral, Intellectual). The Purushartha theory takes a holistic perspective on balancing the four objects of life, called Dharma(ethical), Artha(material), Karma(sensual) and Moksha(spiritual).Abalanced development is necessary according to this theory.

The theory of Gunas identifies three Gunas; Tamsik, Rajasik and Sattvik (selfish and self-interest, enlightened self-interest, enlightened collective interest). This theory may be applied on the individual and society, but not on the organization.

Eternal Human Values
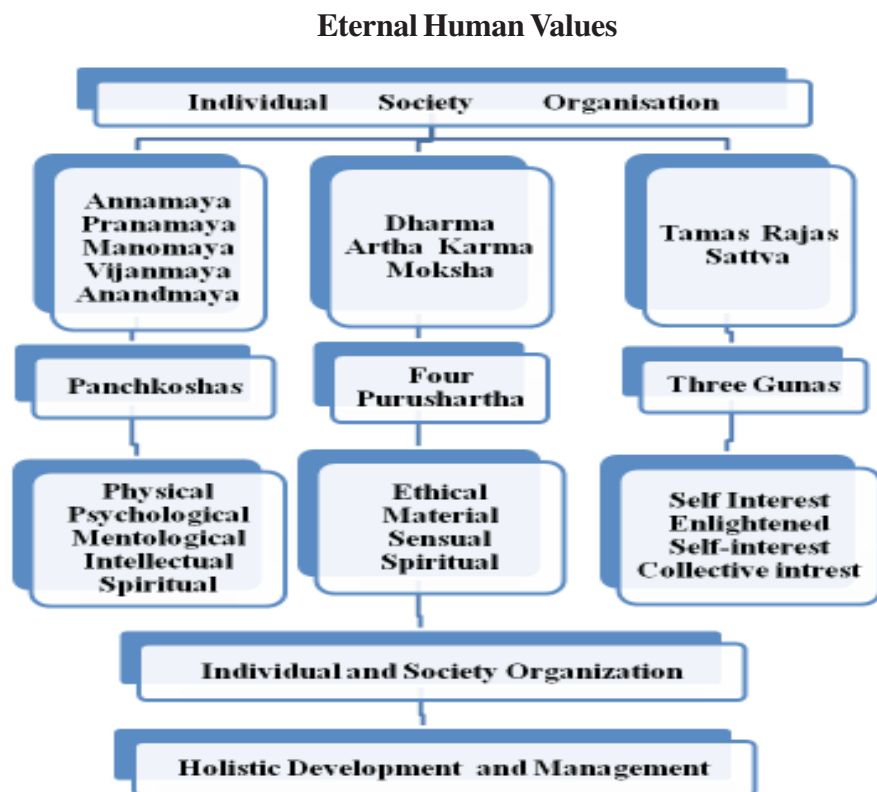
Foundation of an Indian Model

Source: Ananda Das Gupta "Human values in Management"

19.11   SUMMARY

The value which were taught over past 5000 - 6000 years are now great relevance. This is one priceless, heritage but we not that much aware about it. The 'way of life' which is assessed as the shared values, philosophies, ideologies, assumptions, expectations, attitudes and norms that knit the community together is called culture.

Work culture means work related activities and these activities norms and values are generally conceptilised in an organization. Goals, philosophy, managerial practices, capabilities boundaries, material and people are the main features of the organization.

19.12 IMPORTANT QUESTIONS

1.   Explore Indian ethos and the work culture ?

2.   Explain characteristics of the organisational culture?

3.   How organisation can develop positive work culture?

4.   Explain various values for Indian managers?

19.13 SUGGESTED READINGS

1.   Shejwalker, P.C. (1987); "Cultural Perspectives of Indian Management",Indian Management, May.

2.   Singh P (1979); " Occupation Values and Styles of Indian Managers, Willy Eastern Ltd."

3.   Ananda Das Gupta "Human values in Management"

4.   Soares, Valcha and Venkataraman (1981)

UNIT 20 ETHICAL DILEMMA IN MANAGEMENT

Unit Structure

20.0   INTRODUCTION

The 'gray zone 'of business and professional life is organizational dilemma, and it is very much clear that the things are not black or white when ethics is playing its vital role. '**Dilemma** is a situation that requires a choice between equally balanced arguments, which gives a satisfactory solution'*

Ethical issues "A problem or situation that requires a person or organization to choose between alternatives that must be evaluated as right (ethical) or wrong (unethical).

20.1 OBJECTIVES

The Main objectives the unit are as follows:

- Concept of Dilemma, Ethical Issues

- Ethical Dilemma, General Ethical Issues

- General Examples of Ethical Dilemma

- Coca-Cola Case of Ethical Dilemma

20.2 ETHICAL DILEMMA

A situation in which two or more options for action with different interests, which seem equally arguable, and where the decision is given most importance but which is not so simple and clear is called 'Dilemma.'

In this the alternatives are very close to each other and seem to be equally balanced, that is why it becomes very difficult to take correct and clear decisions. And one thing which is also very important about ethical dilemma is that the decision for action when it is made will have the important impact on the welfare of the people.

The number of scandals are increasing everyday and it becomes more necessary for the organizations to adopt the ethical codes of ethics. The business schools are also doing the efforts to control these scandals by developing ethics courses and by appointing the consultants to put integrity into corporate culture.

Ethical dilemma is the mental conflict between moral imperatives. Conflict arises when one moral imperative disobeys another moral imperative. Ethical dilemmas are often cited in an attempt to refute an ethical system or moral code, as well as the worldview that encompasses or grows from it.

20.3   THE GENERAL ISSUES OF ETHICAL DILEMMA
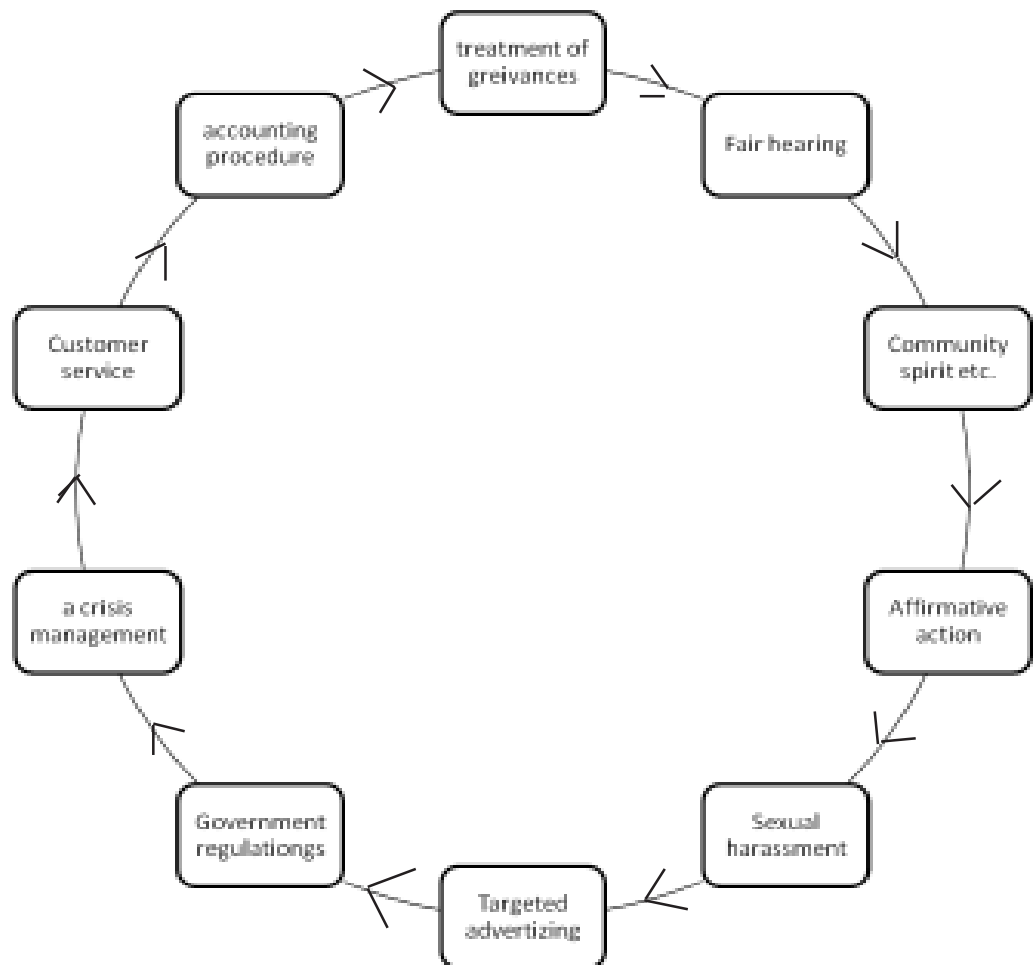
20.4   EXAMPLES OF ETHICAL DILEMMA

20.4.1 Discriminationtion

If a male employee is the boss in an organization. There may arise the conflict if a new female employee comes to join, because the organization is dominated by male employees. The reason of this conflict is that the company has not had a chance to conduct sensitivity training. Some of the male employees make inappropriate remarks to the new employee. She complains to the boss ; in response, he sanctions those responsible for the conduct. The boss also wonder if it would be wise to move new female employee to another position where she would be less likely to draw attention. But if he chooses the option of treating the female employee differently ,it may be considered discriminatory and unethical conduct.

20.4.2 Side Deals

A business manager with an employment contract may also have some ethical decision problem. The requirement of the contract is that the manager has to work solely for the employer and he wants to use the talents of the manager to attract new clients to the business. If the manager starts attracting more clients than the expectation of the employer, then it is in favour of organization and the manager may be rewarded, but if the manager diverts that excess business elsewhere and takes the commission, then it becomes an ethical issue. If he does not at minimum, disclose the idea to the employer, the manager will likely be in breach of both his contractual and ethical duties.

20.4.3 Partners

If Mr. X is the a partner in a business and sees a great deal of profitability on the horizon. He does not believe that his partner deserves to profit from the business' future success, because his personality is not liked by Mr. X,, who may also be wondering if he could simply take his partner's name off the bank accounts, change the locks and continue without him. Mr. X proceeds with this course of action, he would be found violating of his ethical and legal obligation to act in good faith concerning his partner. The better course of action may be to simply buy out his interest in the business.

20.4.4 Gross Negligence

Mr. X is on the board of directors for a publicly traded corporation. Mr. X and his fellow board members have the hopes of heading off early for the holidays, for the reason they rush through the investigatory process involved in a much-anticipated merger. It is the responsibility of Mr. X, as a board member, to exercise the utmost care, respecting decisions that affect the corporation and its shareholders. But if he fails to investigate the matter properly, his action is viewed as gross negligence supporting a breach.

20.5 ETHICAL ISSUES CONCERNING COCA-COLA IN INDIA, 2003

20.5.1 Situation Analysis

Coca-cola faced a protest by the community near the Coca-Cola

55

bottling plant in Kerala, India. This protest was against the water scarcity and polluted water that resulted from its bottling operations. The Protestants put the allegations on the company and it resulted in the form of the closure of the bottling plant. The state banned the plant of Coca-Cola because they were practicing business unethically. Soon after the incident, the Centre for Science and Environment (CSE), a Delhi-based environmental NGO, released a report, which indicated the presence of pesticides, greatly exceeding European standards, in a dozen popular beverages sold under the brand names of the Coca-Cola Company and Pepsi Co. A serious protest was faced by not only Coca-Cola but the whole soft drink industries. But Coca-Cola and PepsiCo were the main plant who faced the protest. Together, the companies have 90% of the India's soft drink market.

Coca-Cola was needed to reply the protest, and in response to the allegations, Coca-Cola denies them by saying their products are safe and questions the lab reports presented by CSE. Coca-Cola was asked to do self and independent assessment of its operations in India by University of Michigan, and university placed the Coca-Cola Company on probation in 2006, The soft drinks were examined by an independent lab, The Energy and Resources Institute (TERI). According to the reports the soft drinks were declared safe and pesticide free. However, the CSE claimed that only the water was tested and not the other ingredients; ingredients such as artificial flavors and sugar. After the reports from TERI were published the government declared soft drinks as safe. However, the problems with some bottling plants still remain, due to the depleting levels of ground water, day by day.

20.5.2 Critical Issues/Problems:

(a) Solid waste and water issue:

It was complained by the communities living near the bottling plant in India that the passage of sludge as fertilizer was causing health and environmental damage. The depletion of water levels was the most important issue, which was faced the community because of the Coca-

Cola bottling operations which have drastically reduced availability of water for irrigation purposes.

(b) Pesticides in soft drinks:

One more important issue was raised in the meantime which was related to human health. The problem was caused by Coca-Cola concerning health is that their bottled water and soft drinks contain pesticides which were tested by the reputed NGO, CSE. No doubt these pesticides cause a great damage to the health of the user of the product.

(c) Dual product standards:

It is world known now that Coca-Cola is accused of having dual standards in terms of their products and safety measures concerning human health with respect to USA, Europe and India.

(d) Community issue:

Number of allegations resulted in the form of closure of one of their bottling plants in Kerala, India. These allegations also affected Coca-Cola largely with its sales, and in addition to this Coca-Cola's products are banned in the state of Kerala.

(e) Action Taken:

The Coca-Cola Company, India was in a great need of taking some important decision regarding sales losses. It thoughtseriously about its corporate responsibility and witnessing huge sales losses. They started doing efforts in order to gain trust among the local communities near the bottling plan. They improved their business practices and reduced the water usage by 34%. Through the practice of rainwater harvesting, Coca-Cola returned substantial water to the aquifers. They have stopped distributing sludge as Biosolids(fertilizers) to farmers for agriculture use, and have taken initiatives with the Indian government to encourage the development of additional solid waste disposal sites. They treat the water with activated carbon filtration,which is used for making soft drinks and run through a purification process to ensure that the water is free of pesticide residue. The quality checks are given

more importance now and ingredients are also closely monitored. According to the company's factsheet, they strictly follow the product standards which are the same all over the world.

The company also committed itself to environment responsibility through its business operations Coca-Cola has also partnered with the NGO's and the government to provide medical access to poor people through regular health camps. Conservation of energy and adherence to the ban on purchasing CFCs are the example of greater corporate responsibility.

Here we can say that Coca-Cola got the favourable result in return of the allegations, because these allegations helped Coca-Cola Company, India to show their corporate social responsibility and to maintain good product quality standards. They took the allegations initiatively all over India which helped them reach villages for a good cause, this also indirectly marketed their products with establishing a trust among the public. After all these allegations, the CSE is still not convinced of the quality of the product. Therefore, Coca-Cola must prove that they have upgraded their lab with sophisticated instrument which is capable of measuring pesticide residue in soft drinks. As per the recent reports by CSE, they claim that the pesticide residue has gone up 27 times higher than expected level by the Bureau of Indian Standards (BIS) (in 2006).

20.6 ETHICAL DILEMMAS: SOME SOUTIONS

All the societies throughout the world are facing the problem of the moral degradation and ethical degradation. It is vast prevalent in the corporate world. Strategies are not strong enough to check the degradation, still they work and try to sort the problems aroused due to unethical practices. The action strategies to control this spreading evil are as follows :

If one gets an ethical dilemma on his hands. How does he figure out what to do? Generally speaking, there are two major approaches that philosophers use in handling ethical dilemmas. The focuses of one approach is on the practical consequences of what one has to do; the other

concentrates on the actions themselves. "No harm, no foul"; is the basic thought of the first school the second claims that some actions are simply wrong. For centuries the thinkers have debated the relative merits of these approaches, but for the purpose of getting help with handling ethical dilemmas, think of them as complementary strategies for analyzing and resolving problems.

If there are any laws involved, one has to plan to obey them. To break the law is not always morally wrong. But in ethical dilemmas that arise in corporate, the laws generally establish at least a bare minimum for how one should act. A corporate becomes anti social power if it breaks laws. The size of business and the money involved is not the matter of importance while one talks about the business and organised crime.

STEP 1: ANALYZE THE CONSEQUENCES

If one wants to follow law the next step becomes probably easier to start by looking at the consequences of the actions one is considering.

So if the decision maker has the number of or variety of options then he need to consider the range of both positive and negative consequences connected with each one.

- Who will be helped by what you do?

- Who will be hurt? Because this is the responsibility of the decision maker to get that type of result which is no harmful in for any person and any society.

- What kind of benefits and harms are we talking about? It is not the matter of discussion that some "goods" are more important (health) than the other goods (T.V.). An small favourable decision in favour of the high quality goods (Ex. health) can outweigh a larger amount of "lower quality" good. And in the same way if one harms " high quality goods" in small quantity can outweigh the larger amount of "lower quality" pain.

- What will be result in the long run as well as short run. And it is very much clear that the decision is made keeping in mind the short run and one wants to give short shift to long run, then he

may be facing the number of negative long run consequences.(like air and water pollution and the cost of the S&L bailout) that people before you thought weren't important enough to worry about.

After looking at all of your options, which one produces the best mix of benefits over harms?

STEP 2: ANALYZE THE ACTIONS

All the options must be considered from a completely different perspective. One need not to think about the consequences. He has to concentrate strictly on the actions.

How all the options measure up against moral principles like honesty, fairness, equality, respecting the dignity of others, respecting people's rights, and recognizing the vulnerability of individuals weaker or less fortunate than others? One can do any of the actions which he considers "cross the line," in terms of anything from simple decency to an important ethical principle? If there's a conflict between principles or between the rights of different people involved, is there a way to see one principle as more important than the others?

What you're looking for is the option whose actions are least problematic.

STEP 3: MAKE A DECISION

After both part of the analysis are taken into account then decision is made.

This strategy provides at least some basic steps which can be followed.

Check Your Progress –A

1.   State whether the following statements are True or False:

 i   Dilemma is a situation that requires a choice between equally balanced arguments, which gives a satisfactory solution.

 ii   Ethical issues can be solved keeping in mind the individual interest.

 iii   Discrimination among the people is an ethical decision taken by the corporate.

iv   The corporation has a social responsibility to think about the people and customer both.

2.   Fill in the blanks:

i.   Negligence in the corporate is an _____ Issue.

ii.   If the manager diverts that excess business elsewhere and takes the _____, then it becomes an ethical issue.

iii.   According to _____the pesticides residues have increased 27 times than the expected level.

The action taken by Coca-Cola was in favour of _____.

20.7 SELF DEVELOPMENT LESSONS FROM ANCIENT INDIA

No doubt Indian culture and spirituality are based on the past related thoughts and values. It is believed all over the world that Indian culture and spirituality are the oldest of world's culture. The people are forgetting the values due to the materialism that is why it becomes more important to think over it. The foreigners are more interested in the Indian culture regarding the values and ethics of ancient India. They are adopting these values and making experiments, whether the Indian culture is true and pure or not.

It is world known that people in India believe in God, truth, love, honesty, non-violence, respect for elders, peace and purity. They follow some spiritual rules like yoga, meditation and religious morals to achieve these values for self analysis and self purity.*The Bhagavad Gita, also referred to as The Gita, comprises about 700 verses and is part of the ancient Indian classic, The Mahabharata. While The Mahabharata centres onthe power struggle between two groups of royal cousins and their battle in Kurukshetra in North India.*

(1)   Duty of a warrior and a prince:The Gita is a conversation between two of its main characters, Arjuna and his mentor Krishna, in the battlefield. In Mahabharata when Arjua faced the dilemma of waging war against his kin, he found himself paralyzed and could not attack on them. Then he went to Krishna

*for counsel. Then Krishna told him that **it is the duty of a warrior and a prince to fight against the bad evil and safe the poor and weak people.***

(2)   Be committed to your work and not the results The foreigner also know that if they want to do business in India, they have to study *The Gita* because most Indian CEOs follow the rules given in Gita. All most all of them have the deepest impact of *Gita* in their leadership style and decision. One expression from *The Gita* which is followed all over the country -"**be committed to your work and not the results**" — is of the universally importance in India. Every household in the country has read about it. And while the terminology of *The Gita* may be specific to India, the principles are universal.

(3)   Balance between work and life: It is clear from the work-life balance literature that the mind is preoccupied with work when one is at home and preoccupied with home when the person is at work place. The Gita gives solution that if one's occupation is clouded by his preoccupations, then the person is not really doing work. Now he is challenged to deal with the preoccupations. The Gita teaches how to take away one's emotional overload and integrate his life well. So it is clear that one needs to see life in unity and not compartment.

(4)   Sustainable Management Practices through Ancient Indian Wisdom: A series of the failure of the some of the most important and successful corporations in the world and involvement of the business leaders in various scandals show the degradation of the management leaders. The concrete solution for coping up with this increasing uncertainty in the global business is still not in the hands of the corporate senior management, consultants, economists, educators etc. The old methods of the control and justifications are used by them.

The present methods are not sufficient enough to bring sustainability, and here is the need of the integration of the ancient wisdom with the present modern management frameworks. The Indian wisdom of 3500 years old teaches something more "eternal", and no doubt the more certainty and sustainability can be brought in the business practices with the use of these eternal and timeless heritage of ancient ethical values.

Though the ancient Indian wisdom is extremely rich and contains hundreds of different scriptures based on the teachings on innumerable sages, philosopher and rulers, the focus is done on the following five scriptures most relevant in the context of management—

Period	Scripture	Description	Most important idea
1500-1000 BC	*Veda*	Oldest scripture of India. It consists of four canonical collections or samhitas viz., Rig, Yajur, Sama and Atharva	The truth is one but said in different ways by different people. The grand interconnectedness between living and non-living.
1000-600 BC	*Upnishads*	Philosophical texts considered to be an early source of Hinduism. Consists of more than 200 texts	Individual consciousness is no different from the Universal consciousness
200 BC - 200 AD	*Bhagavad Gita*	An eternal song in the form of poem which reveals important lessons on Ethics through a dialogue between LordKrishna and the warrior Arjuna who is at the midst of a great dilemma of his life.	Desire-less action is superior to work with selfish desire; Salvation attained through work is superior to that attained through renunciation of work etc.
100 BCE- 500 AD	*Patanjali Yoga aphorisms*	Consists of 196 aphorisms showing a way of personal discipline integrating the mind, body and soul.	Ignorance and Ego as the afflictions of human mind

249 BCE – 100 AD	*Arthshastra*	An ancient Indian treatise on statecraft and economic policy written by Kautilya who was later identified as Chanakya, the teacher of the first Maurya emperor, Chandragupta	A king (or leader) shouldRajarishi (a king who is wise like sage)

Source: "Sustinable *Management* Practices through *Ancient Indian*Wisdom"

(5)   Manager Must be Free From Ego: A person who is free from ego and is rooted in Self (realization of self) has no interest whatever to gain by the actions that he has done and none to be gained by the actions he has not done. Such a person undertakes desire-less action (Nishkama karma) for the welfare of the world. It does not mean that "free from ego" is to be in an egoless state. It means that we have overcome our inhibition and negative effects of ego. It also does not mean the complete egoless state. Ego is the main driving force in an organizational structure because an employee comes to an organization with his dreams and aspirations. We cannot motivate a person towards any goal if that person is in an egoless state. However, too much of ego has its negative effect which may harm the person as well as organization.

In Bhagavad Gita, Lord Krishna says:

> *Yas tv ca atmaratir eva syad; atmatrptas manavah*
>
> *At many eva ca samtustas; tasya karyam na vidyate.*

<div align="right">(Bhagavad Gita, 3.17)</div>

which means that he who realizes his Self is freed from sense of duty and works not out of a sense of duty but because his very nature is to be in action spontaneously. Lord Krishna further says that a person which is free from ego and in Self has no interest to gain in return of any action he does, his action is called as the *Nishkama Karma.* This kind of person can work for the welfare of the world.

Check your progress-B

1.   State whether the following statements are True or False:

i.   Indian culture and spirituality are the oldest of world's culture.

ii.   *It is the duty of a warrior and a prince to fight, though the reason of war may be personal.*

iii.   *If the foreigners have to work in India they need to study the modern Indian literature.*

iv.   *Life must be seen in unity and not in the compartment.*

2.   Fill in the blanks:

i.   It is said in Gita "one should be committed to _____ not the result.

ii.   More certainty and sustainability can be brought in the business practices with the use of _____.

iii.   A desire-less action is called as _____ in Gita.

iv.   He who realizes his Self is freed from sense of _____.

20.8 SUMMARY

The Indian teachings are valuable even in the present world of dynamic changes. The relevance of the Indian teachings cannot be ignored, and it is accepted in the western countries also, that management paradigm like MBO is based ideally on the ancient Indian Ethos. But the in the present world the companies are struggling to implement these framework because they are working according to the teachings of Indian scriptures. Why individual decision-making fails ultimately leading to the institutional failure? This is the question in front of the organizations, and they try to look forward towards integrating some elements into the existing framework to create a more sustainable management paradigm. Models are made by many experts, in the process, the Indian ethos of "Jnan" or knowledge shows the pathway of the success for better management. This jnan not only manage the world but also makes the world able to contribute towards restoring World peace and uniform economic order through spiritual congruence. Mahabharata is the epic tale of terrible and futile wars

between the children of two brothers of Bharat family. It is full of rivalry, feud, envy, altruism, sexual tensions, kingdoms, heroes and villains. It justifies that wars may be necessary and the responsibility of the kings is to think about the weak and poor. Number of time the characters of this epic took the moral decisions while they were tortured previously. They cared for those who were the sufferer.

20.9 KEYWORDS

A statement, esp. one made without proof.

- **Allegations:** doing that is wrong or illegal

- **Code:** Any system of principles, rules or regulations relating to one subject.

- **Conflict:** Conflict arises when the need to follow one moral imperative will result in disobeying another.

- **Dilemma:** very difficult to choose between things of equal importance, Ethical dilemma is the mental conflict between moral imperatives.

- **Discrimination:** showing the difference between people or things

- **Ethical**: connected with beliefs and principles about what is right and wrong, or relating to the accepted principles of right and wrong, especially those of some organization or profession.

- **Negligence:** the failure to give enough care or attention

- **Protestants:** who expresses strong disagreement

- **Self Development:** It means to develop the management itself in favour of the organisation and the people

- **Sustainable Management Practices:** the management practices which are done keeping in mind the integration of ancient wisdom with the modern management practices to cope up to the problems arisen due to wrong and unethical management practices

20.10 IMPORTANT QUESTIONS

Q. 1. What do you mean by general ethical issues in society and organization?

Q. 2.   Discus any one of the ethical case in concern of Indian corporate?

Q. 3.   What do you understand by ethical dilemma?

Q. 4.   How ancient Indian ethic value in the present world also?

Q. 5.   Elaborate the basic Indian concepts which are given importance by the business world and followed in the theory also.

Q. 6.   An ego free manager may be a good leader? Elaborate.

Q. 7.   How ancient Indian wisdom can help in the sustainable management practices? Justify.

Q. 8.   Summarise the lessons of the ancient Indian values, which may be helpful in successful management practices.

ANSWERS TO CHECK YOUR PROGRESS

A.   1. (i) True (ii) False (iii) False (iv) True

    2 (i) Action (ii) Ancient ethical values (iii) BIS (iv) Organization

B.   1. (i) True (ii) False (iii) False (iv) True

    2 (i) Unethical (ii) Commission (iii) Nishkama Karma (iv) Duty

SUGGESTED READINGS

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