

## Detailed Notes for BBA Students

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### Management in Indian Culture and Tradition

Management, as practiced in Indian culture, has deep roots in ancient texts such as the Vedas, Arthashastra by Chanakya, Ramayana, and Mahabharata. These scriptures emphasize ethical decision-making, long-term planning, and leadership rooted in dharma (righteousness).

#### Key Points:

- **Dharma-based Management:** Ethical and responsible leadership.
- **Karma Yoga:** Performing duties selflessly, without attachment to results.
- **Leadership Lessons:** Krishna's role in Mahabharata as a strategic guide is an excellent example of management.
- **Decentralized Administration:** Mentioned in Arthashastra, promoting delegation and efficient control.

**Example:** A modern Indian family business often follows the Gurukul tradition where knowledge is passed through generations, blending modern management with age-old values like respect, loyalty, and integrity.

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### Definition and Meaning of Management

**Definition:** Management is the process of planning, organizing, leading, and controlling organizational resources effectively and efficiently to achieve organizational goals.

**Meaning:** Management involves coordinating human, financial, and material resources to achieve objectives. It is both an art and a science.

UNIT-III Introduction The term 'organization' is used in many ways. It means different things to different people. Currently, the following uses of the term are popular: • • • • A group of people united by a common purpose. An entity, an ongoing business unit engaged in utilizing resources to create a result. A structure of relationships between various positions in an enterprise. A process by which employees, facilities and tasks are related to each other, with a view to achieve specific goals. The dynamic interpretation of the term organization as a process is used in this unit. Organizing After the objective of enterprise are determined and the plans and policies formulated for the achievement of this objective. Next step is to organize. It means to make arrangement of the things, which are required to achieve the plans. Definition of Organization Organization is a complete entity of management involved in arranging people; task and resources creating inter relations between them with a purpose to achieve long term and short term goals. "Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the

organizing function the manager defines, departmentalizes, and assigns activities so that they can be most effectively executed." "Organizing is the process through which managers identify what work needs to be done to accomplish the goals laid out in the planning process, divide work among units and individuals, and then coordinate the divided efforts so that the goals can be achieved.

- ▣ It is an art of knowing what you want to do in the best and efficient way.
- ▣ Is the development of people .
- ▣ It is an art of getting things done through and with people in formally organized groups. It is the art of creating environment in which people can perform and individuals could cooperate towards attaining of group goals.
- ▣ Simply the process of decision making and control over the action of human beings for the purpose of attaining pre determined goals.
- ▣ Management is a distinct process consisting of planning, organizing, actuating and controlling performance to determine and accomplish stated objectives by the use of human being and other resources.
- ▣ Is defined as a process by which a cooperative group directs action for common goals.
- ▣ Management can be defined as the process of decision making and control over the actions of human beings for the purpose of attaining predetermined goals.
- ▣ NATURE OF MANAGEMENT To understand the basic nature of management, it must be analyzed in terms of art and science, in relation to administration, and as a profession, in terms of managerial skills and style of managers. Management as a Science Science means a systematic body of knowledge pertaining to a specific field of study. It contains general principles and facts which explains a phenomenon. These principles establish cause-and-effect relationship between two or more factors. These principles and theories help to explain past events and may be used to predict the outcome of actions. Scientific methods of observations, and experiments are used to develop principles of science. The principles of science have universal application and validity. Thus, the essential features of science are as follows: (i) Basic facts or general principles capable of universal application (ii) Developed through scientific enquiry or experiments (iii) Establish cause and effect relationships between various factors. (iv) Their Validity can be verified and they serve as reliable guide for predicting future events. Let us now examine as to what extent management satisfies the above conditions: (i) Systematic body of knowledge: Management has a systematic body of knowledge consisting of general principles and techniques. These help to explain events and serve as guidelines for managers in different types of organisations. (ii) Universal principles: Scientific principles represent basic facts about a particular field enquiry. These are objective and represent best thinking on the subject. These principles may be applied in all situations and at all times. Exceptions, if any, can be logically explained. For example, the Law of Gravitation states that if you throw an object in the air it will fall on the ground due to the gravitational force of the earth. This law can be applied in all countries and at all points of time. It is as applicable to a football as it is to an apple falling from tree. Management contains sound fundamental principles which can be universally applied. For instance, the principle of unity of command states that at a time one employee should be answerable to only one boss. This principle can be applied in all types of organisation-business or non business. However, principles of management are not exactly like those of physics or chemistry. They are flexible and need to

be modified in different situations. (iii) Scientific enquiry and experiments: Scientific principles are derived through scientific investigation and reasoning. It means that there is an objective or unbiased assessment of the problem situation and the action chosen to solve it can be explained logically. Scientific principles do not reflect the opinion of an individual or of a religious guru. Rather these can be scientifically proved at any time. They are critically tested. For example, the principle that the earth revolves around the sun has been scientifically proved. Management principles are also based on scientific enquiry and investigation. These have been developed through experiments and practical experience of a large number of managers. For example, it has been observed that wherever one employee has two or more bosses simultaneously, confusion and indiscipline are likely to arise, with regard to following the instructions. (iv) Cause and effect relationship: Principles of science lay down a cause and effect relationship between related factors. For example, when water is heated up to 100°C, it starts boiling and turns into vapor. Similarly, the principles of management establish cause and effect relationship between different variables. For instance lack of balance between authority and responsibility will cause management to become ineffective. (v) Tests of validity and predictability: Validity of scientific principles can be tested at any time and any number of times. Every time the test will give the same result. Moreover, the future events can be predicted with reasonable accuracy by using scientific principles. For example, the Law of Gravitation can be tested by throwing various things in the air and every time the object will fall on the ground. Principles of management can also be tested for their validity. For example, the principle of unity of command can be tested by comparing two persons, one having a single boss and other having two bosses. The performance of the first person will be higher than that of the second. Thus, management is undoubtedly a science. It contains a systematic body of knowledge in the form of general principles which enjoy universal applicability. However, management is not as exact a science—Physics, Chemistry, Biology and other Physical sciences. This is because management deals with people and it is very difficult to predict accurately the behavior of living human beings. Management principles are universal but they cannot be expected to give exactly the same results in every situation. That is why management is known as a soft science. Management is a social science. It is still growing, with the growing needs of human organisations. Management as an Art implies the application of knowledge and skills to bring about the desired results. The essential elements of arts are: (i) Practical knowledge (ii) Personal skill (iii) Result oriented approach (iv) Creativity (v) Improvement through continuous practice Let us judge how far management fulfils these requirements: (i) Practical knowledge: Every art signifies practical knowledge. An artist not only learn the theory but also its application in practice. For example, a person may have adequate technical knowledge of painting but he cannot become a good painter unless he knows how to make use of the brush and colours. Similarly, a person cannot become a successful manager simply by reading the theory and getting a degree or diploma in management. He must also learn to apply his knowledge in solving managerial problems in practical life. A manager is judged not just by his technical knowledge but by his efficiency in applying this knowledge. (ii) Personal skill: Every artist has his own style and approach to his job. The success of different artists differ even when all of them possess the same technical knowledge or qualifications. This is due to the level of their personal skills. For example, there are several qualified singers but Lata Mangeshkar has achieved the highest degree of success. Similarly, management is personalised. Every manager has his individual approach and style in solving managerial problems. The success of a manager

- around the sun has been scientifically proved. Management principles are also based on scientific enquiry and investigation. These have been developed through experiments and practical experience of a large number of managers. For example, it has been observed that wherever one employee has two or more bosses simultaneously, confusion and indiscipline are likely to arise, with regard to following the instructions. (iv) Cause and effect relationship: Principles of science lay down a cause and effect relationship between related factors. For example, when water is heated up to 100°C, it starts boiling and turns into vapor. Similarly, the principles of management establish cause and effect relationship between different variables. For instance lack of balance between authority and responsibility will cause management to become ineffective. (v) Tests of validity and predictability: Validity of scientific principles can be tested at any time and any number of times. Every time the test will give the same result. Moreover, the future events can be predicted with reasonable accuracy by using scientific principles. For example, the Law of Gravitation can be tested by throwing various things in the air and every time the object will fall on the ground. Principles of management can also be tested for their validity. For example, the principle of unity of command can be tested by comparing two persons, one having a single boss and other having two bosses. The performance of the first person will be higher than that of the second. Thus, management is undoubtedly a science. It contains a systematic body of knowledge in the form of general principles which enjoy universal applicability. However, management is not as exact a science—Physics, Chemistry, Biology and other Physical sciences. This is because management deals with people and it is very difficult to predict accurately the behavior of living human beings. Management principles are universal but they cannot be expected to give exactly the same results in every situation. That is why management is known as a soft science. Management is a social science. It is still growing, with the growing needs of human organisations. Management as an Art implies the application of knowledge and skills to bring about the desired results. The essential elements of arts are: (i) Practical knowledge (ii) Personal skill (iii) Result oriented approach (iv) Creativity (v) Improvement through continuous practice Let us judge how far management fulfils these requirements: (i) Practical knowledge: Every art signifies practical knowledge. An artist not only learn the theory but also its application in practice. For example, a person may have adequate technical knowledge of painting but he cannot become a good painter unless he knows how to make use of the brush and colours. Similarly, a person cannot become a successful manager simply by reading the theory and getting a degree or diploma in management. He must also learn to apply his knowledge in solving managerial problems in practical life. A manager is judged not just by his technical knowledge but by his efficiency in applying this knowledge. (ii) Personal skill: Every artist has his own style and approach to his job. The success of different artists differ even when all of them possess the same technical knowledge or qualifications. This is due to the level of their personal skills. For example, there are several qualified singers but Lata Mangeshkar has achieved the highest degree of success. Similarly, management is personalised. Every manager has his individual approach and style in solving managerial problems. The success of a manager

depends on his personality in addition to his technical knowledge. (iii) Result-oriented approach: Arts seeks to achieve concrete results. The process of management is also directed towards the accomplishment of desirable goals. Every manager applies certain knowledge and skills to achieve the desired results. He uses men, money, materials and machinery to promote the growth of the organisation. (iv) Creativity: Art is basically creative and an artist aims at producing something that had not existed before. Therefore, every piece of art requires imagination and intelligence to create. Like any other art, management is creative. A manager effectively combines and coordinates the factors of production to create goods and services. Moulding the attitudes and behaviour of people at work, towards the achievement of the desired goals is an art of the highest order. (v) Improvement through people: Practice makes one perfect. Every artist becomes more and more efficient through constant practice. A dancer, for example, learns to perform better by continuously practicing a dance. Similarly, manager gains experience through regular practice and becomes more effective. Thus, "management is both a science as well as an art". It is a science because it has an organised body of knowledge consisting of certain universal facts. It is known as an art because it involves creating results through practical application of knowledge and skills. However, art and science are complementary to each other. They are not mutually exclusive. Science teaches one to know and art to do. Art without science has no guide and science without art is knowledge wasted. For example, a person cannot be a good surgeon unless he has scientific knowledge of human anatomy and the practical skill of applying that knowledge in conducting an operation. Similarly, a successful manager must know the principles of management and also acquire the skill of applying those principles for solving managerial problems in different situations. Knowledge of principles and theory is essential, but practical application is required to make this knowledge fruitful. One cannot become an effective manager simply by learning management principles by heart. Science (theory) and art (practice) are both essential for the success of management.

- Management is goal-oriented Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the established goals are achieved. Thus, management is purposeful.
- 2. Management is an Activity Management is a process of organized activity. It is concerned with the efficient use of resources of production. This process is made up of some interrelated elements—planning, organizing, leading and controlling. Terry says, "Management is not people, it is an activity." Those who perform this activity are designated as 'Managers'.
- 3. Management is Multidimensional A single activity of business includes three main acts.
  - i. Management of work—planning, organizing, controlling
  - ii. Management of people—staffing, directing
  - iii. Management of operations—production, sales, purchase
- 4. Management is a continuous Process Management is a dynamic and an on-going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.
- 5. Management is Intangible Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.
- 6. Management is multidisciplinary Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.
- 7. It is

Dynamic Management is not a static activity. It adapts itself to the new changes in society. It also introduces innovation in its style and techniques. It accepts environmental changes. 8. Hierarchical Nature Management has several positions, ranks, authority and hierarchies flowing from top to bottom across all levels in the organization. It has top, middle and bottom levels with superiors and subordinates. Management contains a chain of authority and command with attached responsibility. This is known as the managerial hierarchical system of authority. 9. Group Activity It is concerned with the efforts of a group. It works in 'cooperative group'. Managers are vital to joint activity. Management is essential wherever people work together for a common cause. Management plans, organizes, go-ordinates, directs and controls the group efforts, not the individual efforts. 10. Management is Universal Management is needed in all types of organized activities and in all types of organizations. In fact, it is present in all walks of life. Fayol writes, "Be it a case of commerce, industry, politics, religion, war or philanthropy, in every concern there is a management functions to be performed." Also, the techniques and tools of management are universally applicable. 11. Separate Identity Management represents a separate class of managerial personnel who are quite different from the identity of workers and capitalists. It is a class of administrators and planners. Managers need not to be owners. In modern industrial society Labour, Management and Capital are different entities. 12. It Involves Decision-making Making decision is a real identity of a manager. He is a planner and thinker. He decides the course of action, strategies, policies and programmes. Drucker states, "Whatever a manager does, he does through making decisions." Thus, management is always a decision-making process, . 13. Pervasive at all Levels Managerial activity pervades all levels of the organization. It is required at top, middle and supervisory levels for getting things done through others. Every manager, whether he works at top or low level, performs the same managerial tasks to do his role 14. Management is a Social Process Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Appley, "Management is the development of people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process". 15. Management is an Integrative Force The essence of management lies in the coordination of individual efforts in to a team. Management reconciles the individual goals with organisational goals. As unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.

### **Six fundamental functions**

#### **1.Planning**

It involves:-

1. Determination of long and short range objectives.
2. Development of strategies and courses of actions for the achievement of objectives.
3. Formulation of policies, procedures, rules etc for the implementation of strategies and plans.

#### **2. Organizing**

It involves:-

1. Identification of activities required for the achievement of objectives and implementation of plans.

2. Grouping of activities so as to create self contained jobs.
3. Assignment of jobs
4. Delegation of authority
5. Establishment of relationship

### 3. Staffing

It involves

1. Manpower planning
2. Recruitment
3. Selection, induction and orientation
4. Transfers, promotions and terminations
5. Training and development

### 4. Directing

It involves

1. Leading employees for performing efficiently and effectively
2. Leadership
3. Motivation
4. Communication

### 5. Coordination

It involves:

1. Keeping authority and responsibility clearly defined
2. Unity of direction
3. Unity of command
4. Effective communication and leadership

### 6. Control

It involves:

1. Measurement of actual performance
2. Comparison with the desired performance
3. Finding the deviations
4. Corrective measures

### **Levels of management**

☐ The term refers to a line of demarcation between various managerial positions in an organization. The level of management determines a chain of command, the amount of authority and status enjoyed by any specific managerial position. These levels can be classified under three broad categories:

☐ Top level

☐ Middle level

☐ Low level

☐ It consists of board of directors, chief executive or managing directors. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating function. Role of top level management is as follows:-

1. Lays down the objectives and broad policies of the enterprise.
2. Issues necessary instructions for preparation of departmental budgets, procedures, schedules etc.
3. Prepares strategic plans and policies.
4. Appoints the executive for middle level.
5. Controls and coordinates activities of the departments
6. Responsible for maintaining contact with outside world.
7. Provide guidance and direction

#### **Role of middle level management**

☐ The branch managers and departmental managers constitute middle level. They are responsible to the top level management for the functioning of their departments. They devote more time to organizational and directional functions. Their roles are as follows:-

1. They execute the plans of the organization in accordance with the policies and directions of the top level management.
2. They make plans for the sub units of the organization.
3. They participate in employment and training of lower level management
4. They interpret and explain policies from top level to lower level.
5. Are responsible for coordinating the activities within the division or department.
6. Sends important reports and other important data to top level.
7. Evaluate performance of junior managers.
8. Also responsible for inspiring lower level managers towards better performance.

#### **Role of lower level management**

☐ This level is also known as supervisory / operative level of management. It consists of supervisors, foremen, section officers, superintendent etc. They are concerned with personal

oversight and direction of operative employees i.e. with direction and controlling function of the management. This further includes:-

1. Assigning of jobs and tasks to various workers.
2. Guide and instruct workers for day to day activities.
3. They are responsible for quality and quantity of production
4. Entrusted with the responsibility of maintaining good relations in the organization.
5. Communicate workers problems, suggestions to the higher level.
6. Solve the grievances of the workers .
7. Supervise and guide the subordinates.
8. Training to the workers.
9. Arrange necessary materials, machines and tools.
10. Preparation of periodical reports about the performances
11. Ensure discipline and motivate employees

#### **Role of manager**

☐ These role falls into three main categories:

1. Interpersonal- this role involves human interaction.
2. Informational – this role involves the sharing and analysis of information.
3. Decisional –this role involves decision making.

#### **Interpersonal role**

1. Figurehead- perform ceremonial and symbolic duties, such as greeting visitors and signing authority.
2. Leader-Direct and motivate subordinates, counsel and communicate with subordinates.
3. Liaison-maintain information, links both inside and outside organization via mail, phone calls and meeting.

#### **Informational role**

1. Monitor- seek and receive information, scan periodicals and reports, maintain personal contact with stakeholders.
2. Disseminator-forward information to organization members via memos, reports and phone calls etc.
3. Spokesperson-transmit information to outsiders via memos, reports and speeches.

#### **Decisional role**

1. Entrepreneur- initiate improvement projects, identify new ideas and delegate idea responsibility to others.

2. Disturbance handler-take corrective action during disputes or crises, resolve conflicts among subordinates, adapt to environments.
3. Resource allocator-decide who gets resources, prepare budgets, set schedules and determine priorities.
4. Negotiator-represent department during negotiations of union contracts, sales, purchase, and budgets.

**MANAGERIAL SKILLS** In modern business the job management has become very difficult. Several skills are required to manage successfully a large organisation in a dynamic environment. These skills of managers have been classified into four categories, namely technical, human, diagnostic and conceptual skills. (i) **Technical Skills** Technical skills refer to the ability and knowledge in using the equipment, technique and procedures involved in performing specific tasks. These skills require specialised knowledge and proficiency in the mechanics of particular job. Ability in programming and operating computers is, for instance, a technical skill. There are two things a manager should understand about technical skills. In the first place, he must know which skills should be employed in his particular enterprise and be familiar enough with their potentiality to ask discerning questions of his technical advisors. Secondly a manager must understand both the role of each skill employed and interrelations between the skills. (ii) **Human Skills** Human skills consists of the ability to work effectively with other people both as individual and as members of a group. These are required to win cooperation of others and to build effective work teams. Such skills require a sense of feeling for others and capacity to look at things from others point of view. Human skills are reflected in the way a manager perceives his superiors, subordinates and peers. An awareness of the importance of human skills should be part of a managers orientation and such skills should be developed throughout the career. While technical skills involve mastery of 'things' human skills are concerned with understanding of 'People'. (iii) **Conceptual Skills** Conceptual skills comprise the ability to see the whole organisation and the interrelationships between its parts. These skills refer to the ability to visualise the entire picture or to consider a situation in its totality. Such skills help the manager to conceptualise the environment, to analyse the forces working in a situation and take a broad and far-sighted view of the organisation. Conceptual skills also include the competence to understand a problem in all its aspects and to use original thinking in solving the problem. Such competence is necessary for rational decision-making. Thus technical skills deal with jobs, human skills with persons and conceptual skills with ideas. These types of skills are interrelated. But the proportion or relative significance of these skills varies with the levels of management.

Technical skills are most important at the supervisory or operating level where a close understanding of job techniques is necessary to guide workers. As one moves up the management hierarchy, technical skills become less important. Higher level managers deal with subordinate managers and specialised technical knowledge is comparatively less important for them. Conceptual skills are very important for top management in formulating long-range plans, making broad policy decisions, and relating the business enterprise to its industry and the economy. Thus, the relative importance of conceptual skills increases as we move to higher levels of management. This would be self evident as management is the process of getting things done through people. Human skills are equally important at all levels of management because every manager has to deal with people.

**OBJECTIVES OF MANAGEMENT** The objectives of management are narrated as under. (i) Organisational objectives: Management is expected to work for the achievement of the objectives of the particular organisation in which it exists. Organisational objectives include: (a) Reasonable profits so as to give a fair return on the capital invested in business (b) Survival and solvency of the business, i.e., continuity. (c) Growth and expansion of the enterprise (d) Improving the goodwill or reputation of the enterprise. (ii) Personal objectives: An organisation consists of several persons who have their own objectives. These objectives are as follows: (a) Fair remuneration for work performed (b) Reasonable working conditions (c) Opportunities for training and development (d) Participation in management and prosperity of the enterprise (e) Reasonable security of service. (iii) Social objectives: Management is not only a representative of the owners and workers, but is also responsible to the various groups outside the organisation. It is expected to fulfil the objectives of the society which are given below: (a) Quality of goods and services at fair price to consumers. (b) Honest and prompt payment of taxes to the Government. (c) Conservation of environment and natural resources. (d) Fair dealings with suppliers, dealers and competitors. (e) Preservation of ethical values of the society.

**IMPORTANCE OF MANAGEMENT** Management is a must for every enterprise. The existence of management ensures proper functioning and running of an enterprise. Management can plan the activities to achieve the objectives and utilize the available resources at minimum cost. Every business needs a direction. This direction is given by the management. The resources of production are converted into production. The resources will remain as resources in the absence of management. The conversion process is performed through the coordination of management. The significance or importance of management is briefly explained below:

1. Achievement of group goals: A human group consists of several persons, each specializing in doing a part of the total task. Each person may be working efficiently, but the group as a whole cannot realize its objectives unless there is mutual cooperation and coordination among the members of the group. Management creates teamwork and coordination in the group. He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard.
2. Optimum utilization of resources: Managers forecast the need for materials, machinery, money and manpower. They ensure that the organisation has adequate resources and at the same time does not have idle resources. They create and maintain an environment conducive to highest productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employees so that they can make the best use of the available resources.
3. Minimisation of cost: In the modern era of cut-throat competition no business can succeed unless it is able to supply the required goods and services at the lowest possible cost per unit. Management directs day-to-day operations in such a manner that all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be competent to face competitors and earn profits.
4. Survival and growth: Modern business operates in a rapidly changing environment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimise the risks and maximise the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.
5. Generation of employment: By setting up and expanding business enterprises, managers create jobs for the people. People earn their

livelihood by working in these organisations. Managers also create such an environment that people working in enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.

6. Effective utilization of business: There are seven M's in the business. These are said to be man, money, materials, machines, methods, markets and management of information & time. Management is the topmost of all other 'Ms'. Management has control over other remaining 'Ms'.

7. Effective functioning of business: Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective functioning of business. Management makes sure that the abilities of workers are properly used and co-operation is obtained with the help of mutual understanding. Besides, management can know the expectation of workers and the expectation is fulfilled through motivation techniques.

8. Sound organization structure: Management lays down the foundation for sound organization structure. Sound organization structure clearly defines the authority and responsibility relationship-who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.

9. Development of the nation: Efficient management is equally important at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on the quality of the management of its resources. Capital investment and import of technical know-how cannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why management is regarded as a key to the economic growth of a country.

Management and Administration According to Theo Haimann, "Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects". It refers to the activities of higher level. It lays down basic principles of the enterprise. According to Newman, "Administration means guidance, leadership & control of the efforts of the groups towards some common goals". Whereas, management involves conceiving, initiating and bringing together the various elements; coordinating, actuating, integrating the diverse organizational components while sustaining the viability of the organization towards some pre-determined goals. In other words, it is an art of getting things done through & with the people in formally organized groups. The difference between Management and Administration can be summarized under 2 categories: -

1. Functions 2. Usage / Applicability

On the Basis of Functions: -

Basis Management Administration Meaning Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals. It is concerned with formulation of broad objectives, plans & policies. Nature Management is an executing function. Administration is a decision-making function. Process Management decides who should do it & how should he do it. Administration decides what is to be done & when it is to be done. Function Management is a doing function because managers get work done under their supervision. Administration is a thinking function because plans & policies are determined under it. Skills Technical and Human skills Conceptual and Human skills Level Middle & lower level function Top level function

On the Basis of Usage: -

Basis Management Administration Applicability It is applicable to business concerns i.e. profit-making organization. It is applicable to non-business concerns i.e. clubs, schools, hospitals etc. Influence The management decisions are influenced by the values, opinions, beliefs & decisions of the managers. The administration is influenced by public opinion, govt. policies,

religious organizations, customs etc. Status Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages). Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend. Practically, there is no difference between management & administration. Every manager is concerned with both - administrative management function and operative management function as shown in the figure. However, the managers who are higher up in the hierarchy denote more time on administrative function & the lower level denote more time on directing and controlling worker's performance i.e. management.

Life and works of Taylor (1856-1915): Fredrick Winslow Taylor, who is known as the father of scientific management, was born in 1856 in Philadelphia, USA. He started his career as an apprentice in a small machine-making shop in 1875. Thereafter, Taylor served in three companies: (i) Midwell Steel Co., (ii) Simonds Rolling Machine Co., and (iii) Bethlehem Steel Co. Taylor joined Midwell Steel Works in 1878 where he did time study and evolved one best method of doing each part of a job. He introduced differential rate system of wages.

Philosophy and Principles of Taylor:

1. Develop a science to replace rules of thumb: Taylor wanted to make management as a science. He, therefore, recommended that every activity of an organisation must rest on well organized, clearly defined principles, instead of depending on more or less hazy idea.
2. Maximisation of output or production: Taylor believed maximum output instead of restricted output. It is because the prosperity for both employer and employees could be achieved only through maximising productivity.
3. Equal division of responsibility: There should be equal division of responsibility between managers and workers. Managers must fulfill their responsibility of planning and organising effectively. On the other hand, workers must fulfill their responsibility by executing the work as per the directions of the 'bosses'.
4. Job specialisation: Taylor believed that each worker should be specialist in his job. At the same time, each worker must be supervised by different specialist supervisors.
5. Scientific selection, training and development of workers: Taylor realized the importance of right person for the right job to attain highest efficiency. He therefore, stressed the need for proper selection and training of the workers.
6. Standardisation: Taylor believed standardisation of methods, tools, time, materials etc. for each activity is very important. Therefore, standards should be fixed for each of them.
7. Wage incentives: Taylor believed that wage incentives should be integral part of each job. Taylor suggested the differential wage rate for different job.
8. Mental revolution: Taylor firmly believed that the principles of scientific management could succeed only when there is a complete mental revolution on the part of management and worker. In other words, both the parties should change their mental attitudes. For this, he suggested the following three things: (i) They must create a spirit of mutual trust and confidence. (ii) Both must make efforts to increase production and productivity. (iii) Both must develop a scientific attitude towards the work and should not leave their arbitrary approach. The mental revolution requires change in the attitude of both. Management must create congenial working conditions and develop best method and tools for optimum efficiency of the workers.

Contribution of Taylor

1. Scientific task setting: Taylorsuggested that the task of every worker for every day should be determined through scientific investigation. Taylor called it "a fair day's work". Every manager must know in advance the fair day's work for each worker.
2. Experimentation or work study: Work study means organised, systematic and objective analysis and assessment of the operational efficiency of all the elements connected with the work.
  - (i) Method study: It is a survey of production process. It aims to evolve the best method of doing a particular job by simplifying the production process, methods, tools etc.
  - (ii) Motion study: Motion study relates to the

study of movements of a worker or a machine in doing a job. It aims at eliminating unnecessary motions and to find out the best method of doing a job efficiently. (iii) Time study:- Time study is the process of recording the exact time taken for doing a job with a view to find out a standard time for doing the job. (iv) Fatigue study: Fatigue study is the study of the reduction or diminution of human energy or capacity in doing his job. Fatigue is caused by over-work without rest pause, poor working conditions, stress, strain etc. The fatigue study is undertaken to know the level and nature of fatigue and to find out the ways to eliminate or minimize the fatigue on the job. 3. Planning: Taylor advocated that planning function should be separate from the doing function. Planning department should decide about the type, shape, and quality of the goods to be produced and the time schedule for delivery of the products. 4. Scientific selection and training of workers: Taylor realised the importance of the right person on the right job. Therefore, he advised for proper selection of the workers and their training. 5. Specialisation: Taylor suggested that scientifically selected and trained workers should be allocated the tasks according to their specialisation. 6. Standardisation: Taylor advocated for standardisation of materials, tools, equipments, methods etc. Standardised working environment should also be provided to the workers. Standardisation will increase efficiency and eliminate or minimise wastage of resource. 7. Incentive wage plan: Taylor considered that incentive wage plan is an integral part of the scientific management. He, therefore suggested a differential wage payment plan. According to this plan, worker is to receive a bonus in addition to his wages if he completes his job before the standard time fixed for the job.

b. Administrative Theory: Henri Fayol (1841-1925): Henri Fayol was a French mining engineer and chief executive officer of a coal mine company. He propounded the administrative or functional theory of management. 1. Administrative management thought era run almost parallel to the scientific management thought era. Henri Fayol is regarded as the herald of the administrative thought. Other contributors include Urwick, Mooney and Reiley, Davis etc. 2. Elements of administration or management function: Fayol described five elements of administration or management functions. They are as follows: (i) Planning, consisting of activities for making plans to achieve goal of the organisation. This function includes forecasting and decision-making. (ii) Organising, consisting of activities necessary for mobilising human and other resources of the organisation to implement the plans. (iii) Commanding, which consists of activities relating to directing, leading, motivating and communicating for getting things done. (iv) Coordinating, which is concerned with activities necessary for harmonising the efforts of all in order to achieve a common goal. (v) Controlling, which is concerned with ensuring performance in accordance with plans. 3. Principle of management: Fayol proposed fourteen principles of management. 4. Flexible and adaptable principles: Fayol made it clear that the principles of management are flexible and adaptable to every need. 5. Universal principles: He believed that principles of management are universally applicable. The principles are applicable in all organisations large or small, industrial, commercial, political, religious, or any other. 6. Management education and training: Fayol realised the need for management education and training. He strongly pleaded for introducing management education and training in schools and universities. He also suggested for conducting organizational 'in-house' training programmes.

Fayol's Fourteen principles of Management

1. Division of Work To divide work among departments and employees according to requirement & owned activities & skills to get benefit of specialization & avoid time

wastage. It says that every employee should be assigned only one of type of work else there will be waste of time and effort caused by changes from one work process to another.

2. Authority and Responsibility Authority means right to give orders and power to exact obedience. Responsibility is assignment of tasks and act to be completed in availability of resources accountability extent to which person can be made liable to answer for acts. Fayol said Authority and Responsibility are co existence in nature and must go hand in hand with proper parity in between. Authority without responsibility heads to irresponsible behaviour & responsibility without authority makes manager ineffective.
3. Discipline Implies compliance with organizational directions and rules, orders and instructions of superior & to cooperation with fellow workers. He considered discipline as the chief strength of organization and essential for smooth operation. Discipline generally depends essentially on ability of its leaders. Fayol said best means of maintaining discipline are - Goods superiors at all levels - Clear & fair agreements between employees & employer - Judicious application of penalties.
4. Unity of command According To this principle one subordinate should get orders and institutions regarding his work only from one superior. If a subordinate has more than one superior. It will undermine authority weaken discipline create divided loyalty and Lead to confusion, delays due to conflict in instructions & most important it would be difficult to pinpoint responsibility to him.
5. Unity of Direction Means that there should be complete identify between individual and organizational goals on one hand and between departmental goals on the other i.e. one head & one plan for a group of acts having the same objective. In other words the related acts should be put under one group, these should be one plan of action for them & they should be under the control of one particular manager.
6. Reading subordinate of individual interest to General interest This principle emphasises that the interest of one employee or group of employees should not prevail over that of the concern Fayol suggested these means to protect the general interest. They are - Firmness and good ex on part of superiors - Agreement as join as in possible - Constant supervision
7. Remuneration of personnel Fayol said that the remuneration & methods of payment should be fair and afford the maximum possible satisfaction to employees & employer. Time, job, piece rates, bonus, profit saving, welfare work, Nonfinancial incentives should be included in best scheme of payment.
8. Centralization Centralization refers to decreasing role of subordination in decision making Fayol says Centralization is not a system of management goods or bad of itself. Centralization implies the Centralization of authority at the top management. Relationship between Centralization & decentralization of authority is a matter of proportion & optimum balance should be maintained according to needs of organization.
9. Scalar chain Scalar chain refers to the chain of superiors ranging from the ultimate authority to lowest ranks. There should be clear line of authority ranging from top to bottom of organization the line of authority is the route followed via every link in the chain by all communication which start from as go the ultimate authority Fayol suggested the concept 'gang plank' which is used to prevent the scalar chain from bogging down.
10. Order To run well an organization should have a place of everything and everything should be in its place. These should be an orderly rationally thought out plan for arranging the things and material in their suitable places. There are two order material and social
11. Equity The organizations runs best when there is a feeling of kindness and justice among managers. Desire for equity & equality of treatment are the common aspirations of employees.
12. Stability of tenure of personnel Efficiency is promoted when job security is assured to employees,

Time is required for an employee to get used to new work & succeed in doing it well. An employee cannot render worth while service if he is removed from the job before he is adjusted. 13. Initiative Initiative refers to the freedom to think out a plan and use discretion in executing. It is a freedom to propose and to execute. 14. Esprit de corps - This principle says that "in union there is strength" Harmony, teamwork and union among the employees is a great strength in a concern. Fayol exhorts that the misguided motto 'divide and rule and the abuse of written communication should be avoided by manager rather they should strive to maintain cooperation among employees.

### **Schools of management theory**

- ▣ 1. Classical school
  - Scientific management school
  - Management process school
  - Bureaucracy theory school
- ▣ 2. The human relations school
- ▣ 3. The decision theory school
- ▣ 4. The management science school
- ▣ 5. The systems theory school
- ▣ 6. The contingency theory school

### **The classical school**

- ▣ The classical school includes three theories namely
  - Scientific management school
  - Management process school
  - Bureaucracy theory school

### **Scientific management school**

- ▣ Frederick Taylor, one of the most distinguished business executive and perceptive thinkers. He replaced the rule of thumb method by the scientific method of management. He advocates use of observation, measurement, experimentation, analysis, rationality and reasoning as chief instruments for developing managerial systems.
- ▣ The basic components of scientific management are:-
  1. Determination of standards of performance
  2. Functional foremanship
  3. Responsibilities of management
  4. Differential piecework system of wage payment
  5. Mental revolution

- The standards of work performance were fixed not on any scientific basis but on the basis of rule of thumb or the amount of work done by an average worker. As foreman, Taylor introduced his famous time and motion studies. Time and motion study involves the analysis of all the operations and motions involved in each job, and then the motions are timed with a stop watch. Standards of performance are determined on the basis of time taken on the performance of each element of the job together with the time needed for the rest and avoidable delays.

#### **Functional foremanship**

- Taylor identified that one of the most important cause of inefficiency and wastage was that each man customarily planned his work, more or less in the same manner in which he has learned from his seniors. The sequence of operation and selection of tools were also determined by them only. Taylor advocated drastic change in the format of supervision. He proposed a system which highlighted two concepts:
  - 1 separation of planning from doing
  - 2 functional foremanship
- Each functional foreman was a specialist in only one kind of work. Each functional foreman planned various aspects of each workers job and issued him instructions on their speciality. The worker was purely a doer, his work was planned by a number of functional foreman through proper planning. He believed that one type of man was needed to plan ahead and an entirely different type to execute the work. This resulted into the shifting of planning functions, primarily performed by workers and supervisors to functional specialists .As a result he increased the cost of managing but reduced the cost of operations.

#### **Responsibilities of management**

- Taylor believed that managers should accept responsibility for planning, directing and organising. He held that managers should perform all the above function in a scientific manner. The process suggested by him is :-
  1. Management should analyze all the operations and develop scientific methods of operations.
  2. Workers should be scientifically selected and trained.
  3. Management should cooperate with workers in order to ensure that the work is done according to the scientific methods developed in the organization.
  4. Management should take over all work for which it is better fitted, this particularly involves the work of planning, organizing and directing.

#### **The management process school**

- The management process school regards management as the process of getting things done with and through people as individuals and as members of groups. It holds that management is a process which can be understood by analyzing its functions. It uses the managerial experience as the basis for developing certain generalizations or principles which can be further used for the study and research of management as well as for improving the practice of management. It also regards management as a universal process, which will be applicable to all types of organization and all levels of management.

### **The management process school**

- ▣ The first follower of this concept was Henry Fayol. He attempted a systematic analysis of the overall management process, he identified five functions of management
- ▣ 1. Planning
- ▣ 2. Organization
- ▣ 3. Command
- ▣ 4. Coordination
- ▣ 5. Control

### **The bureaucratic theory school**

- ▣ Bureaucracy refers to certain characteristics of organization design. Max Weber propounded the bureaucratic theory of organization and management, which has profoundly influenced modern thinking in various areas. He viewed it as the most efficient form that could be used most effectively for complex business organizations. Its important features are:
  1. Assignment of activities to individuals as fixed duties
  2. A hierarchy of authority and chain of command running throughout the organization, with a regulated system of appeal.
  3. Administration through well defined rules
  4. Decision making on rational and objective criteria so that all decisions are impersonal
  5. Employment and promotion based on demonstrated competence, protection against arbitrary dismissal and training of officials
  6. Office holding as a career within the hierarchical order
  7. Fixed salary based on status or rank rather on the work performed, and a guaranteed pension as security for old age.

### **The Human relations school**

- ▣ The experiments at the Hawthorne plant of the Western Electric Company conducted by Mayo, for the first time focused on the human dimensions of organizations.
- ▣ Its findings led to the development of a new hypothesis, i.e, **motivation to work, morale and productivity are related to social relations among the workers and between the workers and supervisor, and not to the physical conditions at work.** He founded that
  - ▣ 1. The workers perceived themselves as a work group
  - ▣ 2. The group had developed norms relating to production as well as personal conduct among themselves and with the superior.
  - ▣ 3. Dexterity and intelligence tests showed that output was not related to either of them.
- ▣ These studies also revealed that an organization is more than a formal structure of positions and authority responsibility relationships. It is indeed a social system, a system of grape vine, informal status systems, rituals and a mixture of logical, nonlogical and illogical behavior.

- Under this approach action designed assumptions emerged from the contributions of human relationists and other behaviourist. These are aimed at guiding practicing managers in effective achievement of organizational goals alongside with employee satisfaction and development. Those assumptions are:-

1. Satisfactory and fruitful human relations can be attained by perceptive use of intuition as well as management theory.

2. Employee contribution in decision making results in greater job satisfaction as well as productivity.

3. Individual behavior emerges as a result of interaction between the demands of the formal organizations on one hand, and informal groups on the other hand.

4. Communication, which plays an important role in the achievement of organizational goals, is largely a human problem and subjected to human errors.

5. Teamwork is based on common agreement on goals between managers and workers.

6. Employee motivation is based not only on the satisfaction of physiological needs, but also social and psychological needs.

7. An organization is a social technical system, and it is the responsibility of management to integrate the two.

8. Managerial skills in human relations can be developed by training.

#### **The Decision Theory School**

- The decision theory school of management, looks upon the management process as a decision making process. Since the performance of various management functions involves decision making, the entire field of management can be studied from the study of the process of decision making.
- Managers have expanded their area of theory building from the decision making process to the study of the decision, the decision maker, and the social and psychological environment of the decision maker. The decision theorists start with the small area of decision making and then look at the entire field of management.
- Decision making is central to managing, and whatever a manager does, he does through making decisions.

#### **The management science school**

- This approach holds that since managing is a logical and rational process, it can be expressed in terms of mathematical relationships and models. The basic assumption underlying management science is that an organization is a system with its parts in interactional and interdependent relationships. These interactions and interdependencies can be expressed in terms of models and equations. Management science has made significant contributions by applying the tools of mathematics to the solutions of various complex problems of management. They have successfully built models in several areas, particularly, quality control, inventory control, production, scheduling, machine loading, warehouse operations and resource allocations.

### **The Systems Theory school**

- ☐ Under this approach organization is viewed as an organic and open system, which is composed of interacting and interdependent parts, called subsystems.
  - ☐ Organizations are open systems in that they are in a continuous interactional relationship with other systems. These other systems comprise of markets, suppliers, bankers, trade unions, government, education and research institutions and other similar enterprises and industries which constitute its environment.
  - ☐ Organizations are also organic systems or living systems as they must satisfy three conditions:
    1. An organization should be stable in the sense that its various parts should be in balance with one another.
    2. It should grow and mature like other living entities
    3. It should adapt to various environmental changes.
- Sub systems existing in the organization are as follows:
- Production sub system, supportive sub system, maintenance subsystem, managerial subsystem, individuals and informal groups.
- ☐ All these subsystems operate in an interdependent and interactional relationship. Each of these subsystems is in itself a system which is composed of various subsystems which are also in interdependent and interactional relationship among themselves.
  - ☐ The various subsystems or parts of an organization which are linked with each other through communication network, decisions, authority responsibility relationships, objectives, policies, procedures, and other aspects of coordinating mechanism.

### **The contingency theory of management**

- ☐ The contingency theory emphasizes that there is no best way to manage. It focuses on interrelationships within and among the sub system as well as between the organization and its environment. It emphasizes the multivariate nature of organization and attempts to understand how organizations operate under varying conditions and in specific situations. It regards management as a situation.

Planning: Process, Types and Significance, Planning vs. Forecasting Objective, strategies and Policies, MBO. Decision Making: Process & Significance, Planning for Startups.

**MEANING OF PLANNING:** Planning may be defined as deciding in advance what to be done in future. It is the process of thinking before doing. It involves determination of goals as well as the activities required to be undertaken to achieve the goals. In the planning process managers anticipate the future and accordingly decide what activities must be undertaken. Planning deciding in

advance – What to do, How to do, When and by whom. DEFINITION OF PLANNING: According to James Lundy: “Planning means the determination of what is to be done, how it is to be done, who is to do it, and how results are evaluated.” According to Henry Fayol: “Planning is deciding the best alternatives among others to perform different managerial operation in order to achieve the predetermined goals.” NATURE OF PLANNING: 1. PLANNING IS GOAL ORIENTED: Organization is set up with a general purpose in view. Specific goals are set out in the plans along with the activities to be achieving the goals. Thus, planning is purposeful. Planning has no meaning unless it contributes to the achievement of predetermined organizational goals. 2. PLANNING IS A PRIMARY FUNCTION: Planning lays down the base for other functions of management. All other functions are performed within the framework of plans drawn. Thus, planning precedes other function. The other functions of management are interrelated and equally important. However, planning provides the base of all the other functions. 3. PLANNING IS PERVASIVE: Planning is required at all levels of management as well as in all departments of the organization. It is neither an exclusive function of top management nor of any particular department, the scope of planning differs at different level and among different departments. 4. PLANNING IS FLEXIBLE: Plans are drawn on the basis of forecasts. Since the future is uncertain, planning must cope with change in future condition. Activities planned with certain assumptions about the future may not come true. 5. PLANNING IS CONTINUOUS: Plans are prepared for the specific period of time, may be for month, a quarter, or a year. At the end of that period there is need for a new plan to be drawn on the basis of new requirements and future conditions. Hence planning is never ending activity. It is a continuous process. 6. PLANNING IS FUTURISTIC: Planning essentially involves looking ahead and future. The purpose of planning is to meet future event effectively to the best advantage of an organization. Through forecasting future events and conditions are anticipated and plans are drawn accordingly.

7. PLANNING INVOLVES CHOICE: Planning essentially involves choice from among various alternatives and activities. If there is one possible goal or only one possible course of action, there is no need for planning because there is no choice. 8. PLANNING IS A MENTAL EXERCISE: Planning requires application of the mind involving foresight, intelligent imagination and sound judgment. It is basically an intellectual activity of thinking rather than doing, because planning determines the action to be taken. OBJECTIVE OF PLANNING: 1. REDUCE UNCERTAINTY: Future is uncertain. Planning may convert the uncertainty into

certainty. This is possible to some extent by, planning which is reducing uncertainty. 2. BRING COOPERATION AND CO-ORDINATION: Planning can bring co-operation and co-ordination among various sectors of the organization. The rivalries and conflicts among departments could be avoided through planning. 3. ECONOMY IN OPERATION: As already pointed out, planning selected best alternative among various alternatives this will lead to the best utilization of resources. The objectives of the organization are achieved easily. 4. ANTICIPATE THE UNPREDICTABLE CONTINGENCIES: Some events could not be predictable. These events are termed as contingencies. These events may affect the smooth functioning of an enterprise. 5. ACHIEVING THE PRE-DETERMINED GOALS: Planning activities are aimed at achieving the objectives of the enterprise. The timely achievements of objectives are possible only effective planning. 6. REDUCE COMPETITION: The existence of competition enables the enterprise to get a chance for growth. At the same time, stiff competition should be avoided. It is possible, to reduce competition through planning.

#### TYPES OF PLANS:

1. STANDING OR REPEATED USE PLAN: - These plans are prepared by managers at different levels. They are intended for repeated use and are designed to deal with recurring problems. When a particular and familiar problem arises, a standing plan provides a ready guide to action. They form one of the important means for building predictable patterns of behaviour in a business firm. When a group of people live together or work together, they must be able to anticipate each other's action. This is especially necessary for interdependent activities which require such ability to anticipate. It includes: a. OBJECTIVE: Effective management implies management by objective. Objectives are goal established to guide of the enterprise. So, all planning work must spell out in clear terms the objectives to be realized from proposed business activities. b. POLICIES: Planning also requires laying down of policies for the easy realization of the objectives of business. Policies provide a standing answer to recurring questions and problems. They are basic guides to action. c. PROCEDURES AND METHODS: Objectives and policies will lose much of their significance, if the planning is cannot lay down the procedure and methods for work performance. Procedures will indicate and outline a series of task for a specific course of action. Method is the manner of work performance and follows the set procedures. d. RULES: A rule specifies necessary course of action in respect of a situation. It acts as a guide and is in the nature of a decision made by the management. This decision lays down what is to be done and what is not to be done In a particular situation.

The rules prescribe a definite and rigid course of action without any scope for deviation or discretion entails penalty. e. STRATEGY: They are device formulated from the competitive standpoint by being fully informed somehow about the planning secrets of the competitors. They are a kind business spying and are applied as Types of Plans Standing or Repeated use Single Use or Operating Contingency Plans the situation demands. So, the success of the plan requires that it should be strategy oriented.

2. SINGLE - USE OR OPERATING PLANS: Standing plan established a structure of customary behaviour for the desired results. They are highly useful devices for managerial decision-making. However, besides these standing plans, a manager can resort to single- use plans to decide in advance the action to be taken to meet a particular problem or a problem arising within a given period. Once the problem is over or met or the time is passed, a new plan is devised for the next period or problem. This type of planning is called single-use plans. It includes: a. PROGRAMMES: Programmes are precise plans of action followed in proper sequence in accordance with objectives, policies and procedures. Thus, a programme lays down the principle steps to be undertaken to accomplish an objective and sets an approximate time for its fulfilment. A programme may accordingly be a major or a minor one, a long-term one or a medium or short-term one. It is included in a single-use plan because it will not be used in the same form once its task is over. b. BUDGETS: Budget estimates the men, money, material and equipment, in numerical terms, required for the implementation of plans and programmes. It covers a particular period and when the period is over, a fresh budget comes into being. Budget, thus, is the main instrument of a single-use plan.

c. PROJECTS: A project is particular job that need to be done in connection with a general programme. So, a single step in a programme is set up a project. A period has a distinct object and a clear cut termination. So, it is include In a single-use plan. The task of management is made easier by setting up the work in a project. 3. CONTINGENCY PLANS: Contingency plans as the name suggest are the plans which are formulated in some contingency. The plan is short term and time is deciding factor in the implementation of this plan. These are most important and prior in nature. Decision taken during this is generally non-programmed but some time programmed decisions are also taken. Organizations usually plan in advance to face any contingency to avoid chance to bear losses. These plans are extremely risky in nature. EXAMPLE: In most organization contingency fund and contingency stock of inventory are

maintained in advance in order to face any contingency in a near future. Sometimes government makes some plans to control the market price of the commodity in contingency like natural calamities like earthquake, flooding etc. And manmade contingencies like strikes, wars, and riots etc.

#### PLANNING PROCESS:

1. **PERCEPTION OF OPPORTUNITIES:** Perception of opportunities is not strictly a planning process. However, this awareness is very important for planning process because it leads to formulation of plans by providing clue whether opportunities exist for taking up particular plans. From this point of view, it can be considered as the beginning of planning process. Perception of opportunities and the ability to see them clearly and completely, knowledge of where the organization stands in the light of its strengths and weaknesses, an understanding of why the organization wants to solve uncertainty, and a vision of what it expects to gain.

2. **ESTABLISHING OBJECTIVES:** At this stage, major organizational and unit objectives are set. Objectives specify the results expected and indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the various types of plans.

3. **PLANNING PREMISES:** After determination of organizational goals, the next step is establishing the planning premise that is the condition under which planning assumptions – the expected environmental and internal condition. Thus, planning premises are external and internal. External premises includes total factor in task environment like political, social, technological, competitors plans and actions, government policies, etc. Internal factors include organizations policies, resources of various types and the ability of the organization to withstand the environmental pressure.

4. **IDENTIFICATION OF ALTERNATIVES:** Based on the organizational objectives and planning premises, various alternatives can be identified. The concepts of various alternatives suggest that a particular objective can be achieved through various actions. **EXAMPLE:** If an organization has set its objectives to grow further, it can be achieved in several ways like expanding in the same field of business or product line, diversifying in other areas, joining hands with other organizations, or taking over another organization and so on.

5. **EVALUATION OF ALTERNATIVES:** Various alternatives which are considered in terms of preliminary criteria may be taken for detailed evaluation. At this stage,

an attempt is made to evaluate how each alternative contributes to the organizational objectives in the light of its resources and constraints.

6. CHOICE OF ALTERNATIVE: After the evaluation of various alternatives, the fit one is selected. Sometimes evaluation shows that more than one alternative is equally good. In such a case, a planner may choose more than one alternative. There is another reason for choosing more than one alternative. Alternative course of action is to be undertaken in future which is not constant. A course of action chosen keeping in view the various planning premises may not be the best one if there is change in planning premises. Therefore, planner must be ready with the alternative, normally known as contingency plan, which can be implemented in changed situations.

7. FORMULATION OF SUPPORTING PLANS: After formulating the basic plan, various plans derived so as to support the main plan. In an organization there can be various derivative plans like planning for buying equipments, buying raw materials, recruiting and training personnel, developing new product, etc. these derivative plans are formulated out of the main plan and therefore, they support it.

8. ESTABLISHING SEQUENCE OF ACTIVITIES: After formulating basic and derivative plans, the sequence of activities is determined so that plans are put into action. Based on plans at various levels, it can be decided who will do what and at what time. Budgets for various periods can be prepared to give plans more concrete meaning for implementation.

#### LIMITATIONS OF PLANNING:

1. RIGIDITY: The existence of a plan puts managerial activities in a rigid framework. Programmes are carried out according to the plan and deviations are considered to be highly undesirable. This attitude makes managers and employees inflexible in their operations.

2. MISDIRECTION: Planning may be used by a particular individual and groups to serve their own interest. Attempts are made by them to influence setting of objectives, formulation of plans and programs to suit their limited aims and objects, ignoring the interest of the organization. As a result planning may not serve any useful purpose.

3. TIME CONSUMING: Planning is a time-consuming process. It requires collection of information, its analysis and interpretation. The process may take

consideration time. Thus, planning is not practicable during emergencies and crisis when quick decisions are needed.

4. LACK OF ACCURATE INFORMATION: Planning is concerned with future activity and hence, its quality will be determined by the quality of forecast of future events. As no manager can predict completely and accurately the events of future, the planning may pose problems in operation. This problem is further increased by inaccurate planning premises.

5. PROBLEMS OF CHANGE: The problem of change is often complex in long-range planning. Present conditions tend to weigh heavily in planning and overshadowing future needs, may sometimes result in error of Perception of Opportunities Establishing Objectives Planning Premises Identification of Alternatives Evaluation of Alternatives Choice of Alternatives Formulation of Supporting Plans Establishing Sequence of Activities Prof. Komal Kumbhar Page 8 Swaraj Institute of Management Principle and Practices of Management judgments. Such factors as technology, consumer tastes and desires, business conditions and many others change rapidly and often unpredictably. In such conditions, planning activities taken in one period may not be relevant for another period because the conditions in the two periods may be quite different.

6. INTERNAL INFLEXIBILITIES: Managers while going through the planning process have to work in a set of given variables. These variables often provides less flexibility in planning which is needed to cope up with the change in future events.

a. PSYCHOLOGICAL INFLEXIBILITIES: Psychological inflexibility is in the form of resistance to change. Managers and employees in the organization may develop patterns of thought and behavior that are hard to change. They look more in terms of present rather than future.

b. POLICY AND PROCEDURAL INFLEXIBILITY: Another internal inflexibility emerges because of organizational policies and procedure. Once these are established, they are difficult to change. Though these policies, procedures, and rules are meant to facilitate managerial action by providing guidelines, they often tend to be too exacting and numerous that they leave very little scope for managerial initiative and flexibility.

c. CAPITAL INVESTMENT: In most cases, once funds are invested in fixed assets, the ability to switch future course of action becomes rather limited, and investments itself becomes a planning premises. During the entire life of the

fixed assets, this inflexibility continuous unless the organization can reasonably liquidate its investment or change its course of action, or unless it can afford to write off the investment.

7. EXTERNAL INFLEXIBILITIES: Besides the internal inflexibilities, managers are confronted with much external inflexibility and they do not have these. EXAMPLE: Managers have little or no control over social economic, technological and political forces. Whether these change quickly or slowly, they do stand in the way of effective planning.

a. POLITICAL CLIMATE: Every organization, to a greater or lesser degree, is faced with the inflexibility of the political climate existing at any given time. Attitudes of government towards business, taxation policy, regulation of business etc. generate constraints on the organizational planning process. Government being major supplier or certain raw materials, finance institution through financial institution may affect the business organization considerably.

b. TRADE UNION: The existence of trade union, particularly those organized at the national level, tends to restrict freedom of planning. Apart from wages and other associated benefits, they affect the planning process by putting limitations and the work that can be undertaken by the organization. They set up the work rule and productivity. To that extent, managers are not free to make decisions of their choice.

c. TECHNOLOGICAL CHANGES: The rate and nature of technology changes also present very definite limitations upon planning. An organization is engaged in its process with a given technology. When there is a change in technology, it has to face numerous problems resulting into higher cost of production and less competitive competence in the market. However, the organization cannot change its technology so frequently. Thus, higher rate of technology changes more would be the problem of long- range planning. Forecasting: Forecasting is process of using past and present data and analysis of trends for predictions of the future. It helps the organization to cope with the future uncertainties. It is more advanced term of prediction.

Forecasting is done with certain assumption based on the experience of management, their knowledge, and judgment. An error in assumptions may result in forecasting error.

Steps in forecasting:

- Analysing and understanding the problem
- Developing strong foundation
- Collecting and analysing relevant data
- Estimating future events.
- Finding reason for poor performance.
- Continuous follow up

Decision Making Meaning: Decision making may be reviewed as the process of selecting a course of action from among several alternatives in order to accomplish a desired result. The purpose of decision-making is to direct human behaviour and commitment towards a future goal. If there are no alternatives, if no choice is to be made, if there is no other way-out, then there would be no need for decision making. It involves committing the organisation and its resources to a particular choice of course of action thought to be sufficient and capable of achieving some predetermined objective. Managers at all level in the organisation make decision and solve problems. In fact, decision-making is the process of reducing the gap between the existing situation and the desired situation through solving problems and making use of opportunities. A decision is a course of action consciously selected from available alternatives, with a view to achieving a desired goal. It is an outcome of the judgement and represents a choice and commitment to the same. It is a final resolution of a conflict of needs, means or goals made in the face of uncertainty, complexity and multiplicity.

A decision is conclusion reached after consideration it occurs when one option is selected to judgement.

Definition: - the exclusion of others – it is rendering of George Terry: -Decision making is the selection based on some criteria from two or more alternatives. Heinz Wehrick and Harold Koontz: - Decision making is defined as the selection of a course of action among alternatives, it is the care of planning. Nature Or Characteristics of Decision Making: -

The nature of decision-making may be clearly understood by its following characteristics features:

1. Decision making is an intellectual process, which involves imagination, reasoning, evaluation and judgement.

2. It is a selection process in which best or most suitable course of action is finalized from among several available alternatives. Such selected alternative provides utmost help in the achievement of organizational goals. The problems for which there is only one selection are most decision problems.
3. Decision making is a goal-oriented process. Decisions are made to attain certain goals. A decision is rated good to the extent it helps in the accomplishment of objectives.
4. It is a focal point at which plans, policies, objectives, procedures, etc., are translated into concrete actions.
5. Decision making is a continuous process pervading all organizational activity, at all levels and in the whole universe. It is a systematic process and an interactive activity.
6. Decision making involves commitment of resources, direction or reputation of the enterprise.
7. Decision making is always related to place, situation and time. It may be decision not act in the given circumstances.
8. After decision making it is necessary and significant to communicate its results (decisions) for their successful execution.
9. The effectiveness of decision-making process is enhanced by participation.

Importance of decision-making:

1. Implementation of managerial function: Without decision-making different managerial function such as planning, organizing, directing, controlling, staffing can't be conducted. In other words, when an employee does, s/he does the work through decision-making function. Therefore, we can say that decision is important element to implement the managerial function.
2. Pervasiveness of decision-making: the decision is made in all managerial activities and in all functions of the organization. It must be taken by all staff. Without decision-making any kinds of function is not possible. So it is pervasive.
3. Evaluation of managerial performance: Decisions can evaluate managerial performance. When decision is correct it is understood that the manager is qualified, able and efficient. When the decision is wrong, it is understood that the manager is disqualified. So, decision-making evaluates the managerial performance.

4. Helpful in planning and policies: Any policy or plan is established through decision making. Without decision making, no plans and policies are performed. In the process of making plans, appropriate decisions must be made from so many alternatives. Therefore, decision making is an important process which is helpful in planning.

5. Selecting the best alternatives: Decision making is the process of selecting the best alternatives. It is necessary in every organization because there are many alternatives. So, decision makers evaluate various advantages and disadvantages of every alternative and select the best alternative.

6. Successful operation of business: Every individual, departments and organization make the decisions. In this competitive world; organization can exist when the correct and appropriate decisions are made. Therefore, correct decisions help in successful operation of business. As the name suggests, routine decisions are those that the manager makes in the daily functioning of the organization, i.e. they are routine. Such decisions do not require a lot of evaluation, analysis or in-depth study. In fact, high-level managers usually delegate these decisions to their subordinates. On the other hand, strategic decisions are the important decisions of the firm. These are usually taken by upper and middle-level management. They usually relate to the policies of the firm or the strategic plan for the future. Hence such decisions require analysis and careful study. Because strategic decisions taken at this level will affect the routine decisions taken daily.

**Programmed Decisions and Non-Programmed Decisions**

Programmed decisions relate to those functions that are repetitive in nature. These decisions are dealt with by following a specific standard procedure. These decisions are usually taken by lower management. For example, granting leave to employees, purchasing spare parts etc are programmed decisions where a specific procedure is followed.

Non-programmed decisions arise out of unstructured problems, i.e. these are not routine or daily occurrences. So there is no standard procedure or process to deal with such issues. Usually, these decisions are important to the organization. Such decisions are left to upper management. For example, opening a new branch office will be a non-programmed decision.

**Policy Decisions and Operating Decisions**

Tactical decisions pertaining to the policy and planning of the firm are known as policy decisions. Such decisions are usually reserved for the firm's top management officials. They have a long term impact on the firm and require a great deal of analysis. Operating decisions are the decisions necessary to put the policy decisions into action. These decisions help implement the plans and policies taken by the high-level managers. Such decisions are usually taken by

middle and lower management. Say the company announces a bonus issue. This is a policy decision. However, the calculation and implementation of such bonus issue is an operating decision.

### Organizational Decisions and Personal Decisions

When an executive takes a decision in an official capacity, on behalf of the organization, this is an organizational decision. Such decisions can be delegated to subordinates. However, if the executive takes a decision in a personal capacity, that does not relate to the organization in any way this is a personal decision. Obviously, these decisions cannot be delegated.

### Individual Decisions and Group Decisions

When talking about types of decisions, let us see individual and group decisions. Any decision taken by an individual in an official capacity it is an individual decision. Organizations that are smaller and have an autocratic style of management rely on such decisions. Group decisions are taken by a group or a collective of the firm's employees and management. For example, decisions taken by the board of directors are a group decision.

### Steps of decision making :

#### Problem Detection

The first and foremost step in good decision making is to identify the problem. This is the basic requirement of every decision making process. Unless and until the business is able to recognise its problems properly, it can't handle them. If the business is not able to handle its problems timely and properly, it can have adverse effects on business. So, it is very important that problems are identified by the decision making process.

#### Understanding The Problem

The next step is to do properly diagnosis of problem. It involves properly understanding the nature of the problem. Root causes of problems are identified for better understanding. Attempts are made to find out why problem have occurred, who all are affected by it, what are its causes and what are its effects if not handled timely.

#### Acquiring Information

After understanding the real causes and nature of problems, information is collected from different sources. Information is collected both internally and externally from the organisation to properly study the factors relating the problems. This information gather is used for better understanding and find out the proper solution timely. Business use tools like 'Check Sheet' for effective collection of relevant and useful information.

#### Establish Different Solutions

The next step is concerned with finding out the different possible ways of handling the problems. It aims at creating possible solutions for particular problem. Once information is gathered, now the collected information is properly studied to arrive at conclusion. Here, ultimately solutions to the particular issues of organisation are developed from different perspectives. Here creativity of peoples involved in decision making has an important role. It helps them in developing numerous solutions. More are the

solution developed; more are the chances of having good decision making.

**Analysing Alternatives** This involves properly evaluating each and every solution developed to handle the problems. All the alternatives already established in previous step are analysed from different perspectives. Strong and weak points of each and every solution developed is checked properly. It helps in easily judging the most effective alternative for managing problems. This is the most important and supportive step in good and effective decision making process.

**Choosing The Best Solution** In this step, best and the most convenient solution among large number of alternatives available is shortlisted. Attempts are made to choose the one which can effectively handle the problem. It is the core of good decision making. If proper solution is not selected then it can have long term adverse effects. The solution that is best suited in accordance with company needs and objectives are chosen. Methodologies used for evaluating alternatives make it easy and convenient to choose the best alternative.

**Applying The Decision** This step simply involves implementing the shortlisted alternatives. Decision is of no use if it is not applied timely as it will lose its effectiveness. Once the best solution is determined using different methodologies, it should be implied properly and timely. Everything should go as per your decisions taken to arrive at effective conclusion.

**Evaluate The Results** This is the last step in the process of decision making. It is here where the performance and effectiveness of decisions made by are analysed. It checks the outcomes of the decision and whether it is able to solve the problem properly or not. Efforts are made to find out the shortcomings of decision in tackling the problems and then correcting them. If decision is found inaccurate in handling the problem, then the different alternative is chosen and implied.

**Management by objectives (MBO)** Meaning and definition of Management by objectives (MBO) : The origins of MBO can be traced back to 1954, when management expert Peter Drucker first introduced the term and the concept in his book, entitled "The Practice of Management". Basically, he described it as an environment where management and employees join forces and work together to set and monitor the goals of the organization for a certain period. Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans encourages participation and commitment among employees, as well as aligning objectives across the organization. It refers to the process of setting goals for the employees so that they know what they are supposed to do at the

workplace. Management by Objectives defines roles and responsibilities for the employees and help them chalk out their future course of action in the organization. Need for Management by Objectives (MBO) :-

- The Management by Objectives process helps the employees to understand their duties at the workplace.

- KRAs are designed for each employee as per their interest, specialization and educational qualification. The employees are clear as to what is expected out of them.

- Management by Objectives process leads to satisfied employees. It avoids job mismatch and unnecessary confusions later on.

- Employees in their own way contribute to the achievement of the goals and objectives of the organization. Every employee has his own role at the workplace. Each one feels indispensable for the organization and eventually develops a feeling of loyalty towards the organization. They tend to stick to the organization for a longer span of time and contribute effectively. They enjoy at the workplace and do not treat work as a burden.

- Management by Objectives ensures effective communication amongst the employees. It leads to a positive ambience at the workplace.

- Management by Objectives leads to well defined hierarchies at the workplace. It ensures transparency at all levels. A supervisor of any organization would never directly interact with the Managing Director in case of queries. He would first meet his reporting boss who would then pass on the message to his senior and so on. Every one is clear about his position in the organization.

- The MBO Process leads to highly motivated and committed employees.

- The MBO Process sets a benchmark for every employee. The superiors set targets for each of the team members, each employee is given a list of specific tasks. Features of MBO :-

1. Goal Orientation: MBO focuses on the determination of unit and individual goals in line with the organizational goals. These goals define responsibilities of different parts of the organisation and help to integrate the organisation with its parts and with its environment. MBO seeks to balance and blend the long-term objectives (profit, growth and survival of the firm with the personal objectives of key executives. It requires that all corporate, departmental and personal goals will be clearly defined and integrated.

2. Participation: The MBO process is characterized by a high degree of participation of the concerned people in goal setting and performance appraisal. Such participation provides the opportunity to influence decisions and clarify job relationships with superiors, subordinates and peers. It also helps to improve the motivation and morale of the people and results in role clarity. Participative decision-making is a prerequisite of MBO. MBO requires all key personnel to contribute maximum to the overall objectives.

3. Key Result Areas: The emphasis in MBO is on performance improvement in the areas which are of critical importance to the organisation as a whole. By identification of key result areas (KRAs), MBO ensures that due attention is given to the priority areas which have significant impact on performance and growth of the organization

4. Systems Approach: MBO is a systems approach of managing an organisation. It attempts to integrate the individual with the organisation and the organisation with its environment. It seeks to ensure the accomplishment of both personal and enterprise goals by creating goal congruence.

5. Optimization of Resources: The ultimate aim of MBO is to secure the optimum utilization of physical and human resources of the organisation. MBO sets an evaluative mechanism through which the contribution of each individual can be measured.

6. Simplicity and Dynamism: MBO is a non-specialist technique and it can be used by all types of managers. At the same time it is capable of being adopted by both business and social welfare organizations. MBO applies to every manager, whatever his function and level, and to any organisation, large or small.

7. Operational: MBO is an operational process which helps to translate concepts into practice. MBO is made operational through periodic reviews of performance which are future-oriented and which involve self-control.

8. Multiple Accountability: Under MBO, accountability for results is not centralized at particular points. Rather every member of the organisation is accountable for accomplishing the goals set for him. Multiple centers of accountability discourage 'buck-passing' and 'credit-grabbing'. MBO establishes a system of decentralized planning with centralized control.

9. Comprehensive: MBO is a 'total approach'. It attaches equal importance to the economic and human dimensions of an organisation. It combines attention

to detailed micro-level, short range analysis within the firm with emphasis on macro-level, long range integration with the environment.

Benefits of MBO :-

1. Better Managing: MBO results in improved and better managing. Better managing requires setting goals for each and every activity and individual and ensuring that these are achieved. MBO not only helps in setting objectives but also ensures balancing of objectives and resources. For establishing objectives there is a need for better and result oriented planning. Management by objectives forces managers to think about planning for results, rather than merely planning activities or work. Managers will devise ways and means for achieving objectives. The objectives also act as controls and performance standards. So MBO is helpful in improving management.

2. Clarifying Organisation: MBO helps in clarifying organisational roles and structures. Responsibility and authority are assigned as per the requirements of the tasks assigned. There is no use of fixing objectives without delegating requisite authority. The positions should be built around the key results expected of people occupying them. Implementation of MBO will help in spotting the deficiencies in the organisation.

3. Encouraging Personal Commitment: The main benefit of MBO is that it encourages personnel to commit themselves for the achievement of specified objectives. In a normal course people are just doing the work assigned to them. They follow the instructions given by the superiors and undertake their work as a routine matter. In MBO the purpose of every person is clearly defined with his or her own consent. People in the organisation have an opportunity to put their own ideas before superiors, discuss the pros and cons of various suggestions and participate in setting the final objectives. When a person is a party for setting objectives then he will make honest endeavour to achieve them. He will feel committed to reach the goals decided with his consent. A feeling of commitment brings enthusiasm and helps in reaching the goals.

4. Developing Controls: MBO mechanism helps in devising effective controls. The need for setting controls is the setting of standards and then finding out deviations if any. In MBO, verifiable goals are set and the actual performance will help in finding out the deficiencies in results. Every person is clear about what is expected from him and these standards act as clear cut controls. So controls can easily be devised when MBO is followed.

## Drawbacks of MBO :-

1. Failure to Teach MBO Philosophy: The success of MBO will depend upon its proper understanding by managers. When managers are clear about this concept only then they can explain to subordinates how it works, why it is being done, what will be the expected results, how it will benefit participants, etc. This philosophy is based on self-direction and self-control and aims to make managers professionals.
2. Failure to Give Guidelines to Goal setters: If the goal setters are not given proper guidelines for deciding their objectives, then MBO will not be a success. The managers who will guide in goal setting should themselves understand the major policies of the company and the role to be played by their activity. They should also know planning premises and assumptions for the future. Failure to understand these vital aspects will prove fatal for this system.
3. Difficulty in Setting Goals: The main emphasis in MBO technique is on setting objectives. The setting of objectives is not a simple thing. It requires lot of information for arriving at the conclusions. The objectives should be verifiable so that performance may be evaluated. Some objectives may not be verifiable, precaution should be taken in defining such objectives. The objectives should not be set casually otherwise MBO may prove liability for the business.
4. Emphasis on Short Term Objectives: In most of the MBO programs there is a tendency to set short-term objectives. Managers are inclined to set goals for a year or less and their thrust is to give undue importance to short term goals at the cost of long-term goals. They should achieve short term goals in such a way that they help in the achievement of long-term goals also. There may be a possibility that short term and long-term objectives may be incompatible because of specific problems. So proper emphasis should be given to both short term and long-term objectives.
5. Danger of Inflexibility: There is a tendency to stick to the objectives even if there is a need for modification. Normally objectives will cease to be meaningful if they are often changed, it will also be foolish to strive for goals which have become obsolete due to revised corporate objectives or modified policies.

## Process of MBO

1. Define Organizational Goals- Goals are critical issues to organizational effectiveness, and they serve a number of purposes. Organizations can also have several different kinds of goals, all of which must be appropriately managed. And a number of different kinds of managers must be involved in setting goals. The goals set by the superiors are preliminary, based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

2. Define Employees Objectives-After making sure that employees' managers have informed of pertinent general objectives, strategies and planning premises, the manager can then proceed to work with employees in setting their objectives. The manager asks what goals the employees believe they can accomplish in what time period, and with what resources. They will then discuss some preliminary thoughts about what goals seem feasible for the company or department.

3. Continuous Monitoring Performance and Progress- MBO process is not only essential for making line managers in business organizations more effective but also equally important for monitoring the performance and progress of employees.

For monitoring performance and progress the followings are required;

- i. Identifying ineffective programs by comparing performance with pre-established objectives,
- ii. Using zero-based budgeting,
- iii. Applying MBO concepts for measuring individual and plans, iv. Preparing long and short-range objectives and plans, v. Installing effective controls, and vi. Designing a sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

4. Performance Evaluation- Under this MBO process performance review is made by the participation of the concerned managers.

5. Providing Feedback- The filial ingredients in an MBO program are continuous feedback on performance and goals that allow individuals to monitor and correct their own actions. This continuous feedback is supplemented by periodic formal appraisal meetings in which superiors and subordinates can review progress toward goals, which lead to further feedback.

6. Performance Appraisal- Performance appraisals are a regular review of employee performance within organizations. It is done at the last stage of the MBO process. Strategy Meaning of Strategy: The term strategy has been derived from Greek work "Strategies" which means general. So, the word strategy means the art of general. Thus, strategy may be defined as gamesmanship or an administrative course of action designed to achieve success in the face of difficulties. It is the grand design or an overall plan, which a company chooses in order to move or reach the mission and objectives.

Candler defined strategy as "the determination of basic long-term goals and objectives of an enterprise, and the adoption of course of action and the allocation of resources necessary for carrying out these goals." Features of Strategy: The following feature can be identified based on the above definitions:

1. Strategy is a dynamic or relative concept as it is designed to meet the demands of a particular situation. Every situation requires a different strategy. Strategies may have to be revised frequently because of changes in the situation.
2. Strategies are a complex plan encompassing other plans in order to achieve organisational objectives.
3. Strategy is forward looking: It has to do orientation towards the future. Strategic action is required in a new situation, nothing new requiring solutions can exist in the past so strategy is relevant only to future. It may take advantages of the past analysis.
4. Strategy provides the direction in which human and physical resources will be allocated and deployed for achieving organisational goals in the face of environmental pressure and constraints.
5. Strategy is the right combination of factors both external and internal. In relating an organisation to its environment, management must also consider the internal factors too, particularly in terms of its strengths and weakness, that is, what it can do and what it cannot do.
6. Strategy may involve even contradictory action. Since, strategic action depends on environmental variables, a manager may take an action today and may revise or reverse his steps tomorrow depending on the situation.

Importance of Strategy:

1. Strategies provide the framework for plans by channelling operating decisions. If strategies are developed carefully and understood properly by managers,

there will be more consistent framework by managers. Therefore, strategies help to ensure efficiency and consistency in the allocation and employment of resources.

2. A business strategy sets the direction for the activities required to achieve the objectives of the organisation. It is the catalyst and thrust of the business.

3. Strategy formulation is essential for the long-term survival and growth of an organisation.

4. It enables the enterprise to take advantage of environmental opportunities and to combat environmental pressures. It provides useful framework for guiding, thinking and action.

Essentials of a Sound Strategy: The basic guidelines of an effective strategy are as follows:

1. The strategy should be consistent with the objectives, policies and other strategies of the organisation.

2. The strategy should be workable. It must be able to meet the needs of the particular situation. It must contribute to the progress of the organisation.

3. A sound strategy must be suitable to the environment of the business. A strategy, which is not consistent with the environment, can put the organisation in danger.

4. The strategy should be designed in the light of available resources. A strategic decision involves commitment of right number of resources to the opportunity and reservation of sufficient resources for unanticipated demands.

5. The risk involved in the strategy must be reasonable in view of its expected pay-offs. A high-risk strategy may threaten the survival of the enterprise, if things go wrong.

Types of Strategy: Strategies may be classified into the following categories:

1. Stability strategy,

2. Growth strategy,

3. Retrenchment strategy, and

4. Combination strategy.

1. **Stability Strategy:** Stability strategy implies, “to leave the well enough along”. If the environment is stable and the organisation is doing well, then it is better to make no changes. This strategy is exercised most often and is less risky as a course of action.

2. **Growth Strategy:** Growth means expansion of the operations of the company and addition of new areas of operations. Growth strategy can be very risky and involves forecasting and analysis of many factors that affect expansion like resource availability and market availability. However, growth is necessary due to volatility of business and industries. For the success of an organisation, growth must be properly planned and controlled.

3. **Retrenchment Strategy:** Retrenchment primarily means reduction in product, services and personnel. This strategy is many times useful in the face of tough competition, scarcity of resources and re-organisation of the company to reduce waste. Retrenchment strategy, though reflecting failure of the company to some degree becomes highly necessary for the very survival of the company.

4. **Combination Strategy:** Combination strategy means using a combination of other strategies and is primarily used by large complex organisations who may want to cut back in some areas and expand in others. Also, in time of financial difficulties, a company may employ entrenchment strategy and resort to growth strategy, if the economic situation improves. In order to make strategic planning effective, it is necessary to have the right people involved who would objectively and intelligently look at all angles and all factors involved in the success of these plans and strategies.

**Implementation of Strategies:** Implementation of strategy is the process through which a chosen strategy is put into action. It involves the design and management of systems, it achieves the best integration of people, structure, processes and resources in achieving organisational objectives.

Important factors in strategy implementation are given below:

1. **Institutional of Strategy:** The first basic action that is required for putting a strategy into operation is its institutionalization. Since strategy does not become either acceptance or effective by virtue of being well designed and clearly announced, the successful implementation of strategy requires that the strategy framer act as its promoter and defend. Often strategy choice becomes a personal choice of the strategist because his personality variables become an influential factor in strategy formulation.

2. **Setting Proper Organisational Climate:** It is important in making strategy to work. Organisational climate refers to the characteristics of internal environment, which conditions the corporation, the development of the individuals the extent of commitment and dedication of people in the organisation and the efficiency with which the purpose is translated into results. Organisations whose strategy is implemented with matching climate are more effective than those are not. People are the instruments in implementing a particular strategy and organisational climate is basically people-oriented.

3. **Developing Appropriate Operating Plans:** Operating plans means action plans, operational programmes and decisions. If they are made to reflect desired organisational objectives by focusing attention on those factors, which are critical to the success of the organisation as spelled out during the strategy formulation process.

4. **Developing Appropriate Organisation Structure:** Organisation structure is the pattern in which parts of the organisation are interrelated or interconnected. It prescribes relationships among various positions and activities. The organisation structure should be designed according to the needs of the strategy for the implementing strategy. The relationship between strategy and structure can be thought of in terms of utilizing structure for the strategy implementation because structure is a means to an end, that is to provide facilities for implementing strategy. Therefore, both should be integrated.

5. **Periodic Review of Strategy:** There should be periodic review of strategy to find out whether the given strategy is relevant. This is required because even the carefully developed strategies might cease to be suitable if events change, knowledge becomes clearer, or it appears that the environment will not be as originally thought. Thus, strategies should be reviewed from time to time. Major strategies should be reviewed at least once a year. In fact, this is done by most of the organisations who believe in relating themselves with the environments.

## **Unit -3**

**Introduction** The term 'organization' is used in many ways. It means different things to different people. Currently, the following uses of the term are popular:

A group of people united by a common purpose. An entity, an ongoing business unit engaged in utilizing resources to create a result. A structure of relationships between various positions in an enterprise. A process by which employees, facilities and tasks are related to each other, with a view to achieve specific goals. The dynamic interpretation of the term organization as a process is used in this unit. Organizing After the objective of enterprise are determined and the plans and policies formulated for the achievement of this objective. Next step is to organize. It means to make arrangement of the things, which are required to achieve the plans. Definition of Organization is a complete entity of management involved in arranging people; task and resources creating inter relations between them with a purpose to achieve long term and short term goals. "Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organizing function the manager defines, departmentalizes, and assigns activities so that they can be most effectively executed." "Organizing is the process through which managers identify what work needs to be done to accomplish the goals laid out in the planning process, divide work among units and individuals, and then coordinate the divided efforts so that the goals can be accomplished." According to Robins, "Organizing means determining what task are to be done, who is to do them, how tasks are to be grouped, who is to do them, who reports to whom and where decisions are to be made".

#### Characteristics & Elements of Organization

1. Group of Persons
2. Departmentalization
3. Hierarchy of Authority
4. Common goals
5. Division of Labor
6. Resources
7. Co-ordination of activities
8. Co-operative efforts
9. Communication Organization

LINE, STAFF AND FUNCTIONAL AUTHORITY RELATIONSHIPS

- Organisation requires the creation of structural relationship among different departments and the individual working there for the accomplishment of desired goals. The establishment of formal relationships among the individuals working in the organisation is very important to make clear the lines of authority in the organisation and to coordinate the efforts of different individuals in an efficient manner. In order to organise the efforts of the individuals, any of the following types of organisation structures may be set up :
  - Line organisation
  - Line and staff organisation
  - Functional organisation
  - Committee organisation
  - Project organisation and
  - Matrix organisation

#### LINE ORGANISATION

- The line organisation represents the structure in a direct vertical relationship through which authority flows.
- It is the simplest form of organisation structure and is also known as scalar or military organisation.
- Under this, the line of authority flows vertically downward from top to bottom throughout the organisation.
- The quantum of authority is highest at the top and reduces at each successive level down the hierarchy. Every person in the organisation is in the direct chain of command.
- In line organisation, the line of authority consists of an uninterrupted series of authority steps and forms a hierarchical arrangement.
- The line authority not only becomes the avenue of command to operating personnel, but also provides the channel of communication, coordination and accountability in enterprise.

#### Advantages

- It is very easy to establish line organisation and it can be easily understood by the employees.
- It facilitates unity of command and thus conforms to the scalar principle of organisation.
- There is clear cut identification of authority and responsibilities relationship. Employees are fully aware of the boundaries of their job.
- It ensures excellent discipline in the enterprise because every individual knows to whom he is responsible.
- It facilitates prompt decision making because there is definite authority at every level. An executive cannot shift his decision making to others, nor can be blamed be shifted.

#### Disadvantages

- With growth, the line organisation makes the superior too overloaded with work. If the executives try to keep up with every activity, they are bogged down in myriad details and are unable to pay proper attention to each one. It will hamper their effectiveness.
- There is concentration of authority at the top. If the top executives are not capable, the enterprise will not be successful.
- Line organisation is not suitable to big organisations because it does not provide specialists in the structure. Many jobs require specialized knowledge to perform them.
- There is practically no communication from bottom upwards because of concentration of authority at the higher levels. If superiors take a wrong decision, it would be carried out without anybody having the courage to point out its deficiencies.

#### LINE and staff organisation

- The line executive is often described as the individual who stands in the primary chain command and is directly concerned with the accomplishment of primary objectives.
- Line organisation provides decision making authority to the individuals at the top of the organisation structure and a channel for the flow of communication through a scalar chain of authority.

- Line executives are generalists and do not possess specialised knowledge which is a must to tackle complicated problems.
- With a view to give specialist aid to line executives, staff positions are created throughout the structure.
- Staff elements bring experts and specialised knowledge to provide advice to line managers so that they may discharge their responsibilities successfully.
- In line and staff organisation, the line authority remains the same as it does in the line organisation. Authority flows from top to bottom.
- The main difference is that specialists are attached to line managers to advise them on important matters.
- These specialists stand ready with their speciality to serve line men as and when their services are called for to collect information and to give help which will enable the line officials to carry out their activities better.
- The staff officers do not have any power of command in the organisation as they are employed to provide expert advice to the line officers. Staff means a supporting function intended to help the line manager. In most organisations, the use of staff can be traced to the need for help in handling details, gathering data for decision making and offering advice on specific managerial problems.
- Staff investigates and supplies information and recommendations to managers who make decisions. Specialised staff positions are created to give counsel and assistance in each specialised field of effort.
- Line and staff structure had gained popularity because certain problems of management have become very complex and, in order to deal with them, expert knowledge is necessary which can be provided by the staff officers.
- The staff officers do not have any power of command in the organisation as they are employed to provide advice to the line officers. In most organisations, the use of staff can be traced to the need for help in handling details, gathering data and offering advice on specific management problems.

Advantages of Line and staff organisation

- Specialised knowledge
- Reduction of burden
- Proper weightage
- Better decision
- Flexibility
- Unity of command

#### Disadvantages

- There is generally a conflict between the line and staff executives. There is a danger that the staff men may encroach on the line authority. Line managers feels that staff specialists do not always give right type of advices

and staff officials generally complain that their advice is not properly attended to.

- The allocation of duties between the line and staff executives is generally not very clear. This may hamper coordination in the organisation.
- Since staff men are not accountable for the results, they may not be performing their duties well.
- There is a wide difference between the orientation of the line and staff men. Line executives deal with problems in a more practical manner. But Staff officials who are specialists in their field tend to be more theoretical.

| LINE ORGANISATION   | LINE AND STAFF ORGANISATION   |
|---|---|
| Line refers to those positions which have the responsibility of achieving the primary objectives of | Staff refers to those positions which have responsibility for providing adv |

|   |  |
|---|--|
| the organisation.   |  |
| There are no experts to assist and advise the line officials.   | There are experts known as staff to assist and advise the line officials.        |
| There is strict discipline  | There is loose discipline  |
| There is no scope of friction between line and staff  | There is always a risk of friction between line and staff people over their      |
| It is not based upon planned specialisation   | It is based upon planned specialization  |
| Certain line men become key men as they occupy those positions on which the survival of the organisation depends. | This is not possible in case of line and staff organisation as staff officials a |

# UNIT-4

## Recruitment

The Recruitment and Selection belongs to value added HR Processes. The recruitment is about the ability of the organization to source new employees, keeps the organization operating and improving the quality of the human capital employed in the company. The quality of the recruitment process is the main driver for the satisfaction of managers with the services provided by Human Resources. Recruitment can be defined as searching for and obtaining a pool of potential candidates with the desired knowledge, skills and experience to allow an organisation to select the most appropriate people to fill job vacancies against defined position descriptions and specifications. The purpose of the recruitment process is to find the widest pool of applicants to provide the greatest opportunity to select the best people for the required roles in an organisation. Acquiring the best applicants for a role can be a competitive advantage for an organisation whereas ineffective recruitment and selection can result in enormous disruption, reduced productivity, interpersonal difficulties and interruptions to operations, customer service and long term costs.

According to Dale Yoder, "Recruitment is a process to discover the source of manpower to meet the requirements of staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.

According to Bergmann and Taylor, "Recruitment is the process of locating, identifying, and attracting capable applicants.

### Factors Affecting Recruitment

There are various factors that influence recruitment.

They are as follows:

1. Internal factors
2. External factors

### **Internal factors**

1. Size: The organizational size is an influencing factor. Larger organizations find recruitment less problematic than smaller size units.
2. Policy: The policy of recruitment by the organization, whether recruitment is from internal source (from own employees) or from external sources also affect the recruitment process. Generally, recruiting through internal sourcing is preferred in view of cost consideration, familiarity and in easily finding the most suitable one.
3. Image: Image of the organization is another internal factor influencing recruitment. Managerial actions like good public relations, rendering public services like building roads, public parks, hospitals and schools help to earn a good image or goodwill for the organization.
4. Image of jobs: Better remuneration and working conditions are considered as the characteristics of good image of a job. Besides, promotion and career development programmes of the organization also attract potential candidates.

### **External factors**

1. Demographic factors: Demographic factors such as sex, age, literacy, economic status etc, have influence on recruitment process.
2. Labour markets: Labour market conditions, that is, supply labour is of particular importance in affecting recruitment process. If the demand for a specific skill requirements is high relative to its supply, recruiting employees will

involve more efforts. On the contrary, if supply is more than demand for particular skill, recruitment will be relatively easier.

3. Unemployment situation: The rate of unemployment is yet another external factor having its influence on the recruitment process. When the unemployment rate in a given area is high, the recruitment process tends to be simpler.

4. Labour laws: There are several labour laws and regulations passed by the central and state Governments that govern different types of employment. These cover, working conditions, compensation, retirement benefits and safety and health of employees in industrial undertakings. Child Labour (Prohibition and Regulation) Act, 1986, for example prohibits employment of children in certain employments. So also, several other acts such as Employment Exchange (Compulsory Notification of Vacancies) Act, 1959, the Apprentice Act 1961; the Factories Act, 1948 and the Mines Act 1952 have bearing on recruitments.

### **Sources of Recruitment**

The different sources of recruitment could be classified into two broad categories, viz.,

- a. Internal sources and
- b. External sources

Internal Sources The various internal sources are

- a. Present employees
- b. Employee referrals
- c. Former Employees
- d. Previous applicants

### **Present Employees**

Promotions and transfers from among the present employees can be a good source of recruitment. Promotion implies upgrading of an employee to a higher position carrying higher status, pay and responsibilities.

### **Former Employees**

Former employees are another source of applicants for vacancies to be filled up in the organization. Retired or retrenched employees may be interested to come back to the company to work on a part-time basis. Some former employees, who left the organization for any reason, may again be interested to come back to work.

### **Employee Referrals**

The existing employees refer their family members, friends and relatives to the company as potential candidates for the vacancies to be filled up most effective methods of recruiting people in the organization because employees refer to those potential candidates who meet the company requirement by their previous experience.

### **Previous Applicants**

Those who applied previously and whose applications though found good were not selected for one reason or other may be considered at this point of time. Unsolicited applications may also be considered.

### **Advantages of internal source are**

1. Familiarity with their own employees
2. Better use of the talent
3. Economical recruitment
4. Morale booster
5. Gives motivation.

## **Disadvantages of Internal Source**

1. Limited choice
2. Discourages competition
3. Creates conflicts.

## **External Sources**

The different external sources are

- a. Employment Exchanges
- b. Advertisements
- c. Employment Agencies
- d. Professional Associations
- e. Campus Recruitment
- f. Deputation
- g. Word-of-Mouth
- h. Raiding.

## **Employment Exchanges**

After India's independence, National Employment Service was established to bring employees and job seekers together. In response to it, the Compulsory Notification of Vacancies Act of 1959 (commonly called Employment Exchange Act) was enacted which became operative in 1960. Under S4 of the Act, it is obligatory for all industrial establishments having 25 workers or more, to notify the nearest employment exchange of vacancies in them, before they are filled.

Employment exchanges are particularly useful in recruiting blue-collar, white collar and technical workers.

### **Employment Agencies**

In addition to the government agencies, there are a number of private employment agencies who register candidates for employment and furnish a list of suitable candidates from their data bank as and when sought by prospective employers. The main function of these agencies is to invite applications and short list the suitable candidates for the organization. Of course, the final decision on selection is taken by the representatives of the organization. The representatives of the employment agencies may also sit on the panel for final selection of the candidates.

### **Advertisement**

Advertisement is perhaps the most widely used method for generating many applications. This is because its reach is very high. This method of recruitment can be used for jobs like clerical, technical and managerial. While preparing advertisement, a lot of care has to be taken to make it clear and to the point. It must ensure that some selection among applicants takes place and that only qualified applicants respond to the advertisement. Advertisement copy should be prepared very well to answer AIDA. That is, the advertisement should arrest attention, gain interest, arouse desire and result in action.

### **Professional Associations**

Very often recruitment for certain professional and technical positions is made through professional associations. Institute of Engineers, Indian Medical Association, All India Management Association etc., provide placement services for their members. For this, the professional associations prepare either list of job seekers or publish or sponsor journals or magazines containing advertisements for their members.

## **Campus Recruitment**

This is another source of recruitment. This is gaining popularity in India. The advantages are:

- i. Most of the eligible candidates are available at one place.
- ii. The interviews are arranged in a short notice.
- iii. The teaching faculty can also be consulted.
- iv. Gives opportunity to sell the organization to a large students' body who would be graduating subsequently

## **Deputation**

Yet another source of recruitment is deputation i.e., sending an employee to another organization for a short duration of two or three years. This method of recruitment is in vogue in Government Departments and public sector organizations. This method provides ready expertise and the organization does not have to incur the initial cost of induction and training.

## **Word-of-Mouth**

Some organizations in India practice 'the word-of-mouth' method of recruitment. In this method, the word is passed around about the possible vacancies or openings in the organization. Another form of word-of-mouth recruitment is "employee-pinching" i.e., the employees working in another organization are offered an attractive offer by the rival organizations. This method is economic, both in terms of time and money.

## **Raiding or Poaching**

Raiding or poaching is another method of recruitment whereby the rival firms by offering better terms and conditions, try to attract qualified employees to join them. This raiding is a common feature in the Indian organizations.

## **Merits of External Source**

1. Larger availability of talented candidates.
2. Opportunity to select best candidates.
3. Provides healthy competition among job seekers.

### **Demerits**

1. Expensive and time consuming
2. Unfamiliarity with the organization
3. Discourages the existing employees and they may feel belittled.

**Recruitment Process** The recruitment process consists of the following:

- a) Recruitment Planning
- b) Strategy development
- c) Searching
- d) Screening
- e) Evaluation and control

Planning involves drafting a comprehensive job specification for the vacant positions outlining their major and minor responsibilities; the skills, experience and qualifications needed ; grade and level of pay ; starting data ; whether temporary or permanent; and mention of special conditions, if any, to the jobs to be filled.

The next step involved is to devise a suitable strategy for recruiting the candidates in the organization. The strategic consideration would include the type of recruitment method, the geographical area to be considered for the search, source of recruitment and sequence of activities for recruitment.

Searching involves deciding internal or external sources. Sometimes both internal and external may be decided.

Screening is the next step. Job specification is invaluable in this regard. Screening is done on the basis of qualification, knowledge, skills, abilities, interest and experience mentioned in job specification.

Evaluation and control in recruitment is needed as considerable cost is involved in the process.

## Selection

Selection starts where recruitment ends. Selection is hiring the best candidates from the pool of applications. It refers to the process of offering jobs to one or more applicants from the applications received through recruitment. Selection is the process of picking the suitable candidates from the pool of job applications to fill various jobs in the organization.

According to Yodder, “selection is the process by which candidates for employment are divided into class - those who will be offered employment and those who will not.”

According to Stone, “Selection is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job.

| Point                | Recruitment   | Selection  |
|----------------------|---|--|
| <b>1. Sequence</b>   | Recruitment comes first in the hiring process.                                | Selection follows recruitment.   |
| <b>2. Definition</b> | It is the process of attracting and encouraging candidates to apply for jobs. | It is the process of choosing the most suitable candidate from the pool of applicants. |
| <b>3. Objective</b>  | To create a large pool of qualified candidates.                               | To pick the best candidate from the available pool.                                    |
| <b>4. Nature</b>     | Positive process – focuses on inviting more candidates.                       | Negative process – focuses on filtering out unsuitable candidates.                     |
| <b>5. Method</b>     | Involves activities like job advertisements, job portals, and campus drives.  | Involves activities like interviews, tests, and background checks.                     |
| <b>6. Outcome</b>    | Results in a list of potential candidates.                                    | Results in the final selection and hiring of a candidate.                              |

## **Steps in the Selection Process:**

### **1. Screening of Applications**

- Initial shortlisting of candidates based on academic qualifications, work experience, and resume.

### **2. Written Test / Aptitude Test**

- Tests analytical ability, logical reasoning, verbal skills, and sometimes domain knowledge.

### **3. Group Discussion (GD)**

- Assesses communication, leadership, teamwork, and problem-solving abilities.

### **4. Personal Interview (PI)**

- One-on-one discussion to judge the candidate's confidence, personality, goals, and suitability.

### **5. Technical or Domain-Specific Interview (if applicable)**

- Evaluates subject knowledge or job-specific expertise.

### **6. Psychometric or HR Test (optional)**

- Checks attitude, behavior, and cultural fit with the organization.

### **7. Final Interview / Panel Interview**

- Final assessment by senior executives or HR heads before the offer is made.

### **8. Offer and Appointment Letter**

- Selected candidate receives a formal job offer with terms and conditions.

## TRAINING

It is an attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employees' attitude or increasing his or her skills and knowledge.

1. **Edwin B. Flippo**

*"Training is the act of increasing the knowledge and skills of an employee for doing a particular job."*

2. **Dale S. Beach**

*"Training is the organized procedure by which people learn knowledge and/or skill for a definite purpose."*

3. **Training Process:**

| Step                              | Explanation   |
|-----------------------------------|---|
| 1. <b>Identify Training Needs</b> | Find out what skills or knowledge employees are lacking.                        |
| 2. <b>Set Training Goals</b>      | Decide what the training should achieve.  |
| 3. <b>Plan the Training</b>       | Choose topics, trainers, methods, and time.                                     |
| 4. <b>Conduct the Training</b>    | Deliver the training using chosen methods (like lectures, workshops, practice). |
| 5. <b>Evaluate the Training</b>   | Check if the training was successful through feedback or performance changes.   |

### Purpose of training

Need for organizations to build and sustain competencies that would provide them with competitive advantage.

- Knowledge era: Human assets are valued highly.
  - Growth oriented organizations value training as a response to changing environment
  - Continuous learning process in human development
  - Helps in development of one's personality, sharpens skills and enhances effectiveness
  - It is an important and integral part of organizational renewal process
- Functions of a Training Programme
- Acquiring knowledge

- Change in attitudes
- Helping to put theory into practice
- Helps to evaluate abilities, competencies
- Enhances Problem solving and Decision making ability Improves Performance

## Methods of Training



### On-the-Job Training Methods

Following are the On-The-Job methods:

- **Apprenticeship Programs:** Apprenticeship programs place the trainee under the guidance of well-trained personnel. These programs are designed to obtain skills and knowledge of higher levels. Such programs are necessary for people entering skilled jobs, like, plumbers, electricians, etc. These apprentices are trainees who enter into these programs and invest some time working under the guidance of a professional or a trainer. The trainees are required to spend a specified time here where both fast and

slow learners are trained together. The slow learners may be provided with additional training.

- **Coaching:** In this method, the trainer who is known as the coach guides and instructs the trainee. The coach or the trainer sets the required goals with a mutual discussion, advises on how to achieve those goals, analyzes the trainees' progress from time to time, and suggests changes necessary in the attitude and performance. The trainee works under the senior manager and the manager takes full responsibility for the employees' training. The training is done to take the place of the senior manager so that he can be freed from some of his duties. This is also a chance for the trainee to learn about his job and the working of the organization.
- **Internship Training:** Internship training is a cooperation of educational institutions and business firms. These trainings are generally a joint program. The candidates who are selected continue to pursue their studies regularly and also work in a factory or office to gain the practical knowledge and skills required for a job.
- **Job Rotation:** Job rotation involves shifting trainees from one job to another or from one department to another. This allows the trainee to gain a better understanding of the working of the organization and all its parts. The rotation enables the trainee to indulge in all kinds of operations from different departments, and also allows them to enhance their knowledge and skills. This is also beneficial for the trainees, as they get to interact with other employees, which creates cooperation among different departments. Such training of employees makes it easier for the organization at the time of promotions, replacements, or transfers.

## **Off-the-Job Training Methods**

**Following are the Off-the-Job methods:**

- **Class Room Lectures or Conferences:** The lecture or conference method is generally used for conveying specific information, rules, procedures, or methods. The use of audio-visual means makes a formal classroom presentation more interesting along with increasing the memory and proving an instrument for clearing difficulties or doubts.
- **Films:** Films supply information and show a definite display of skills that are not easily represented by other techniques. The use of films together with conference discussion is a very effective method in most cases.
- **Case Study:** Case studies are the actual experiences faced by the organization. They display the events that the managers have faced in real life. The trainees study these cases and analyze them sincerely to find out the problems and their causes, come up with possible solutions, select the best solution and at last, implement it.
- **Computer Modelling:** It encourages the work environment by developing a computer program that copies a few of the realities of the job and enables learning to take place securely. It also allows the organization to see the mistakes that may occur and how much they would cost. This saves the organization from making mistakes in such situations in real life.
- **Vestibule Training:** In vestibule training, the employees are given training on the equipment that they will be using during their jobs. Though the training is conducted away from the actual workplace, the trainees are provided with a work environment in which all the pieces of equipment, files, and materials to be used are present. This method is usually used when the employees need to handle advanced or complex equipment and machinery.
- **Programmed Instruction:** Such a method includes a predetermined and proposed acquisition of some definite skills or general knowledge. In this

method, the information is divided into meaningful units, and these units are arranged in a proper way to form a logical and consecutive learning bundle or collection, i.e., from simple to complex. The trainee is required to answer the questions asked or by filling in the blanks.

## **Difference between Authority and Power**

Sometimes people use the terms Authority and Power interchangeably; however, there are some differences between both. While **Authority** is the legitimate power or right granted to an individual, position, or entity to exercise control, make decisions, and enforce compliance within a specific domain or scope; **Power** is the capacity of managers to exert influence, make decisions, and achieve desired outcomes within an organization.

### **What is Authority?**

**Authority** refers to the legitimate power or right granted to an individual, position, or entity to exercise control, make decisions, and enforce compliance within a specific domain or scope. It is typically associated with formal positions within organizational structure or established systems of governance. Authority is derived from recognized rules, laws, or social norms that confer specific rights and responsibilities to individuals occupying certain positions. It represents the official capacity to give directives, make decisions, and enforce them within the framework of established rules and regulations. Authority provides individuals with the ability to guide, direct, and influence others within their designated areas of responsibility, and it is often supported by institutional legitimacy and the recognition of those who are subject to authority.

### **What is Power?**

**Power** refers to the capacity of managers or [leaders](#) to exert influence, make decisions, and achieve desired outcomes within an organization. It

encompasses various forms and sources and plays a pivotal role in shaping relationships, driving performance, and attaining organizational objectives. Power in management can stem from different avenues, including legitimate authority granted by formal positions, the ability to provide rewards or incentives, the capacity to enforce compliance through coercion, expertise, and knowledge in a specific domain, or personal charisma and the ability to build strong connections. Successful managers recognize the different types of power and understand how to employ them effectively in different situations, ensuring ethical and responsible use of power to foster positive working environments and contribute to the overall success of the organization.

### **Difference between Authority and Power**

The key differences between authority and power can be understood based on their basis or foundation:

| <b>Basis</b>  | <b>Authority</b>   | <b>Power</b>   |
|---------------|--|--|
| <b>Source</b> | Authority is derived from formal positions within the organizational hierarchy. It is granted by the organization based on the role and responsibilities | Power can stem from personal qualities, expertise, relationships, or control over resources. |

| <b>Basis</b>           | <b>Authority</b>  | <b>Power</b>  |
|------------------------|---|---|
|                        | assigned to individuals   |   |
| <b>Legitimacy</b>      | Authority is considered legitimate within the organizational structure and is supported by formal rules and policies. It is recognized as the rightful exercise of control and decision-making. | Power may or may not have inherent legitimacy and can be based on personal influence  |
| <b>Decision-Making</b> | Authority grants individuals the right to make decisions within their defined areas of responsibility. It provides a formal framework for decision-making in line with                          | Power can enable individuals to influence decisions even if they do not have formal authority. They may use their personal influence or persuasive skills |

| <b>Basis</b>              | <b>Authority</b>   | <b>Power</b>   |
|---------------------------|--|--|
| <b>Scope of Influence</b> | <p>organizational objectives and policies.</p> <p>Authority typically operates within a specific scope and is limited to the responsibilities associated with the formal position.</p> | <p>to shape outcomes.</p> <p>Power can extend beyond formal boundaries and impact areas beyond the designated scope of authority. Individuals with power can influence decisions, actions, and behaviours of others in various ways.</p> |
| <b>Compliance</b>         | <p>Authority has the inherent ability to enforce compliance and direct the actions of subordinates. It is</p>  | <p>Power may rely more on influence, persuasion, and personal relationships to</p>   |

| <b>Basis</b>                          | <b>Authority</b>   | <b>Power</b>   |
|---------------------------------------|--|--|
|                                       | backed by the formal power to assign tasks, give directives, and enforce organizational policies.  | gain compliance from others.   |
| <b>Stability</b>                      | Authority tends to be more stable and enduring over time, as it is established within the formal structure of the organization. It remains consistent unless there are changes in <a href="#">organizational roles</a> or hierarchies. | Power can be more dynamic and can change based on personal relationships, shifting alliances, or changes in organizational dynamics. |
| <b>Relationship with Subordinates</b> | Authority establishes a formal relationship between superiors  | Power can influence relationships beyond formal  |

| Basis | Authority  | Power   |
|-------|--|---|
|       | and subordinates, defining roles, responsibilities, and reporting lines. It provides a clear framework for accountability. | reporting lines. Individuals with power can have an impact on the attitudes, behaviours, and motivations of others, regardless of their formal position in the hierarchy. |

### **What is Delegation of Authority ?**

Delegation is the process of assigning authority, responsibility, and tasks to individuals or teams within an organization. It involves transferring decision-making authority from managers to their subordinates, empowering them to make decisions and take action within their assigned roles. By delegating tasks, managers can focus on higher-level responsibilities and strategic decision-making while their subordinates handle operational or specialized tasks.



Delegation includes elements, such as authority, responsibility, accountability, and effective communication. It brings several benefits, including increased productivity, skill development, empowerment, improved decision making and succession planning. Effective delegation requires considering factors, like employee competence, workload capacity, and task complexity, along with providing adequate support and feedback for successful task completion.

## **Process of Delegation**

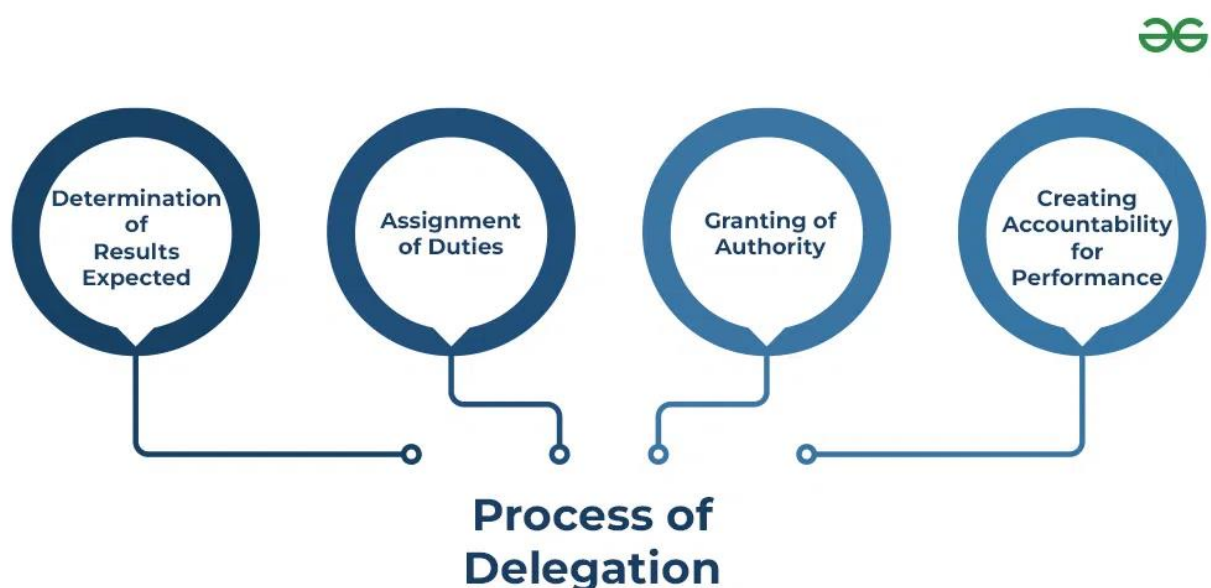
The process of delegation involves the following steps:

1. **Determination of Results Expected:** Managers begin by clearly defining the desired outcomes and objectives that need to be achieved through delegation. This step involves setting specific and measurable targets aligned with the organization's goals. It provides a clear focus for the delegation process and ensures everyone understands the expected results.

2. Assignment of Duties: Once the results are determined, managers identify specific tasks and responsibilities to be delegated. It is important to match the duties with the skills, capabilities, and interests of the individuals or teams involved. Clear instructions and guidelines should be provided to ensure a shared understanding of the assigned duties and expectations.

3. Granting of Authority: Delegation goes beyond task assignment; it also involves granting the necessary authority to carry out the assigned tasks effectively. This includes decision-making power, access to resources, and the ability to take necessary actions within defined limits. Granting authority empowers individuals or teams to make decisions and exercise discretion in fulfilling their responsibilities.

4. Creating Accountability for Performance: To ensure accountability, managers establish clear lines of responsibility and hold individuals or teams accountable for the proper performance of their delegated duties. This includes setting performance standards and metrics, regularly monitoring progress, providing feedback and guidance, and evaluating outcomes. Accountability fosters a sense of ownership and motivates individuals to perform at their best.



## **Directing: Meaning, Characteristics and Importance**

What is Directing?

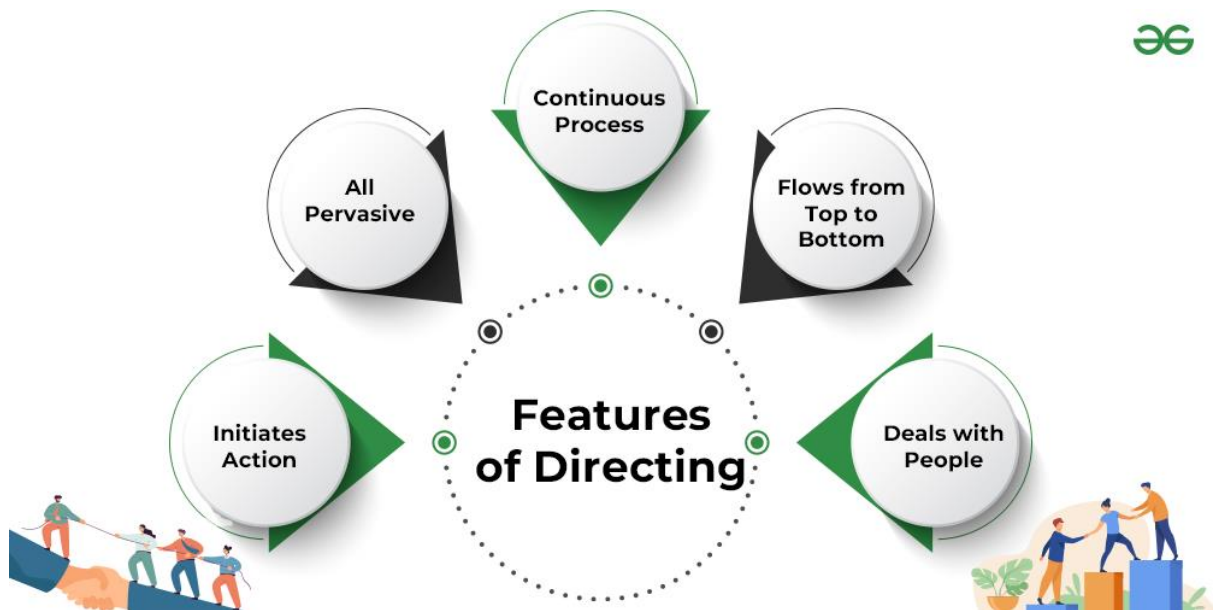
The process of instructing, guiding, counselling, motivating, and leading people in an organisation to achieve the organisational goals is known as Directing.

Directing not only includes order and instructions by a superior to the subordinates but also includes guiding and inspiring them. It encompasses many elements like motivation, leadership, supervision, besides communication. It is a managerial function which is performed throughout the life of an organisation.

***In the words of Ernest Dale,** " Direction is telling people what to do and seeing that they do it to the best of their ability".*

***In the words of Theo Haimann,** " Directing consists of the process and techniques utilised in issuing instructions and making certain that operations are carried on as originally planned".*

After planning, organising the structure of the organisation and arranging the necessary human force, the next important step is directing. Directing aims to ensure that activities of all the employees are mobilised towards the organisational goals. It is the connecting link between the functions of management, i.e., planning, organising, staffing and controlling.



## Features or Characteristics of Directing

The characteristics of directing are as follows:

- **Directing initiates action:** The other functions of management, i.e., planning, organising, staffing etc., create conditions for managers to take appropriate actions, whereas directing function initiates actions in an organisation. It converts plans into action. It is the key managerial function performed by the managers.
- **Directing is pervasive:** It is pervasive as it takes place at every level of management. It takes place wherever superior-subordinate relations exist. Every manager has a subordinate who works under him and is responsible for getting things done.
- **Directing is a continuous process:** Directing is an ongoing activity. It takes place throughout the life of an organisation, irrespective of the people in the organisation. Managers give orders to their subordinates, motivate them, and guide them on a continuous basis.

- **Directing flows from top to bottom:** It flows from top to bottom through the organisational hierarchy. In directing, every manager directs his subordinates and takes instructions from his immediate boss. It is a function of a superior, i.e., the superior motivates, guides, and supervises his subordinates to achieve the organisational goals.
- **Directing deals with people:** It is concerned with the direction of human efforts towards organisational goals. It can be said that directing is a delicate function, as it deals with people, and human behaviour is complex and highly unpredictable.

### **Importance of Directing**

The importance of directing are as follows:

- **Directing Initiates action:** Directing sets an organisation into motion, and helps other managerial functions to initiate and activate. It helps the managers to supervise, communicate, lead, guide and motivate the subordinates to achieve the organisational goals. For example, a superior guides his subordinates and explains the task, which will help the subordinates to start the work and achieve the goal.
- **Directing leads to integrated group activity:** The organisational objectives can be achieved only when individual efforts are integrated. Directing integrates employees' efforts in such a way that every individual effort contributes to organisational performance. For example, a leader can convince his subordinates that group efforts will help to achieve organisational goals.
- **Directing attempts to get maximum out of individuals:** Directing helps superiors to realise the potential and identify the capabilities of individuals by motivating and guiding them. By using the elements of directing, i.e.,

supervision, motivation, leadership, and communication, the efficiency of employees can be raised.

- **Directing helps to implement changes:** Directing helps to introduce changes in an organisation. Generally, people in an organisation resist changes. Effective communication, supervision, motivation and guidance help to overcome such resistance at the workplace. For example, the introduction of a new method of doing a particular task in a factory is resisted by workers, but when managers explain the purpose, guide and provide them training and rewards, it can be easily accepted by the workers.
- **Directing provides stability and balance in the organisation:** Stability and balance are maintained in an organisation with the help of directing because it fosters cooperation and commitment amongst employees, and helps to achieve balance amongst various groups, departments, units, etc. For example, every individual has personal goals, but the managers integrate the efforts of all the individuals towards the achievement of organisational goals through guidance, motivation, supervision and communication.

## **Unit-5**

# **LEADERSHIP**

## **What is Leadership**

Leadership is a process by which an executive can direct, guide and influence the behavior and work of others towards accomplishment of specific goals in a given situation.

Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal. Leadership is the potential to influence behaviour of others. It is also defined as the capacity to influence a group towards the realization of a goal.

Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions. Leadership is an important element of the directing function of management. Leadership is an integral and important part of management and plays a very vital role in managerial process.

## **Definition of leadership**

**Koontz and O'Donnell**, Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.

**Dubin, R.** Leadership is the exercise of authority and making of decisions.

According to **Keith Davis**, "Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals."

According to **George R. Terry** – "Leadership is the activity of influence people to strive willingly for group objectives".

According to **Date**- "Leadership is a ability to influence a group towards the achievement of goals." Elements of willingness is very important in the definition of leadership this elements differentiates leadership (leaders) from the managers. Motivating and influencing

people to move towards a common goal are the elements of management but the “willingness” of the followers to be led, highlights the special quality of leaders that puts them above the managers.

Leadership is a function of-

$$L = F (F \times g \times w \times s)$$

L = leadership

F = Functional Relationship

G = Goal

W = Willingness of subordinates

S = Situation

## **Nature or characteristics of leadership**

The ability to lead effectively is a key to better managerial performance. There is not magic formula of becoming a good leader. Effective leaders are not created by simply attending a one-day leadership workshop, yet it is not totally in their genes either. One can become an effective leader if a person has willingness to invest the time and energy to develop all the “right-stuff”.

1. **Personal Ability:** Leadership is basically a person ability and skill. It is a personal power which arises out of knowledge, expertise and personality. According to Koontz and others, it is the ability induces subordinates to work with confidence and zeal towards the achievements of organizational goals.

2. **Followership** : Leadership requires followers. It is inseparable from followers. Involves other people, usually in the form of subordinates. It cannot exist without group of followers. Koontz and D'Donnel say, "The essence of leadership is followership. It is the willingness of people to follow that makes a person a leader."

3. **Influencing Behaviour**: Leadership envisages "the power of influence." It involves an attempt to influence another group member.

4. **Interpersonal Relationship**: Leadership involves group behaviour. It is interaction between a leader and one or more followers. It is a reciprocal relationship.

5. **Mutual Goals**: Leadership involves a community of interest between the leader and his followers. It exists from the realization of common goals.

6. **Its Essence is Performance** : Leadership depends on doing. Most people agree that leadership is not a personality trait, but doing something-guiding, directing, influencing or mobilizing actions. Peter Drucker has rightly remarked, "Leadership has little to do with 'leadership qualities' and even less do with 'charisma'. It is mundane, unromantic and boring. It is work. Its essence is performance."

7. **Exemplary conduct**: Leaders not only but also influence by their behaviour. They put example in their actions before the subordinates. Urwick has rightly said, "It is not what a leader says, still less what he writes, that influences subordinates. It is what he is. And they judge what he is by what he does and what he behaves."

8. **Leadership is Situational:** It assumes that leaders are the product of given situations. Leader emerges out of situation. Leadership is dynamic art. The most effective way to lead is a dynamic and flexible process that adapts to the particular situation.

9. **Assumption of Responsibility:** The leader assumes full responsibility for all actions of his followers. He remains responsible in all situations.

10. **Importance of Communication:** Leadership is established through the communication process. Communication affects the behaviour and performance of followers. The inability to communicate is a serious deficiency in influencing people.

11. **All Managers are not Leaders:** Managers are appointed and have legitimate power that allows them to reward and punish. In contrast, leaders may either be appointed or emerge from within a group. Leaders can influence others to perform beyond mere actions dictated by formal authority. They have personal capabilities to influence others. However, not all leaders necessarily hold managerial positions.

12. **Leadership may be Formal or Informal:** Managers who influence the behaviour of their assigned group are the formal leaders of organizations. Their ability to influence is founded upon the formal authority inherent in their positions. Within the organization, informal groups develop, and within those groups informal leaders who influence the behaviour of other group members.

13. **Four-faceted Concept:** Leadership involves four elements - leader, followers, organization and the environment (social, economic and political conditions.) These affect one another in determining appropriate leadership behaviour. To Terry, it implies that “almost everyone can at times show leadership behaviour.”

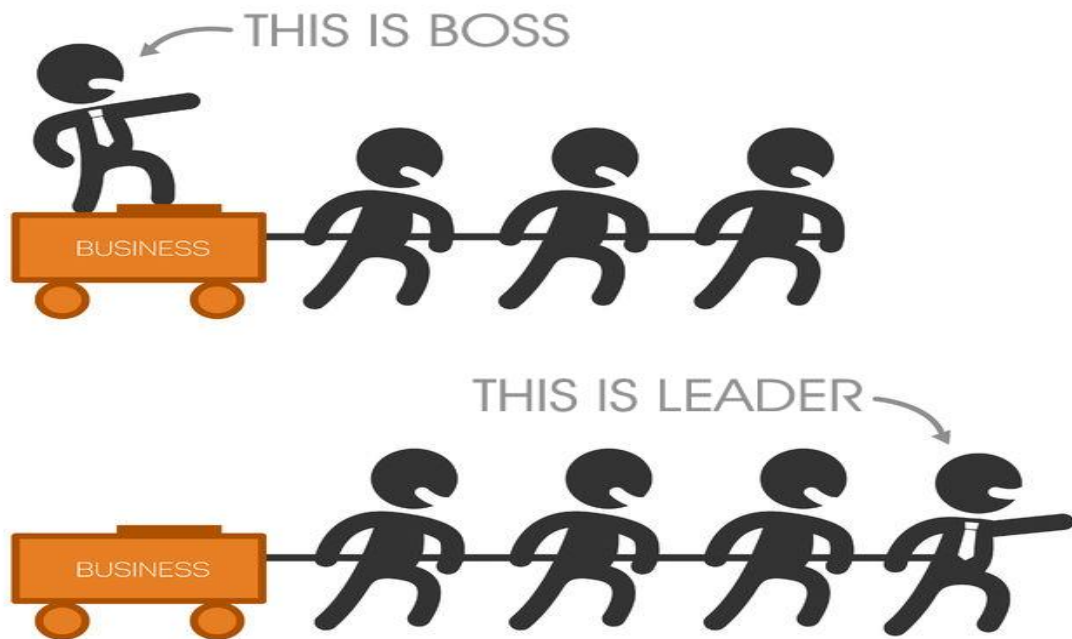
14. **Process:** Leadership is a process engaged in by certain individual. It is an ongoing activity in an organization. Its outcome is some form of goal accomplishment.

## Leadership Functions

- **Setting Goals:** A leader is expected to perform creative function of laying out goals and policies to persuade the subordinates to work with zeal and confidence.
- **Organizing:** The second function of a leader is to create and shape the organization on scientific lines by assigning roles appropriate to individual abilities with the view to make its various components to operate sensitively towards the achievement of enterprise goals.
- **Initiating Action:** The next function of a leader is to take the initiative in all matters of interest to the group. He should not depend upon others for decision and judgment. He should float new ideas and his decisions should reflect original thinking.

- **Co-Ordination:** A leader has to reconcile the interests of the individual members of the group with that of the organization. He has to ensure voluntary co-operation from the group in realizing the common objectives.

## Distinction between Leadership and Management



- A leader need not be a manager, but a manager must have many of the qualities of a good leader”.
- “The key to successful leadership today is influence, not authority”. - Kenneth Blanchard

- “Good leaders must first become good servants.” - Robert Greenleaf
- Leadership is about inspiring and management is about planning
- Managing and leading are two different ways of organizing people. Leadership is setting a new direction or vision for a group that they follow — i.E., A leader is the spearhead for that new direction. On the other hand, management controls or directs people/resources in a group according to principles or values that have already been established. The manager uses a formal, rational method whilst the leader uses passion and stirs emotions.
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## **Lewin Leadership style( University of Iowa Studies)**

1939, a group of researchers led by psychologist Kurt Lewin set out to identify different styles of leadership

1. Authoritarian Leadership (Autocratic)
2. Participative Leadership (Democratic)
3. Delegative Leadership (Laissez-Faire)

1. **Authoritarian Leadership (Autocratic)** : centralized authority, low employees participation

2. **Participative Leadership (Democratic)** : involvement, highly participation, feedback

3. **Delegative Leadership (Laissez-Faire)** : hands off management

### **Likert Management System**

#### ▶ **Four Leadership Styles**

- ▶ Likert believed that the roles and relationships the management and employees had everything to do with the question of how able a company is to become successful. He also believed that answers to questions can be provided in various degrees. With this mindset, he identified four management styles in the Likert Management System that can vary depending on the manager and the entire organisational environment:

### **Exploitative Authoritative**

An exploitative-authoritative management system means that responsibility lies with people in higher positions in the hierarchy. The people lower on the ladder, the subordinates, don't influence the decision making and aren't involved in this process. The top has little faith in the subordinate and there is no room for discussion in decision-making moments. In such a system, communication occurs straight down, instead of being two-way traffic. The communication that reaches the employees mainly consists of warnings and threats. As a result, only higher management feels responsible for achieving organisational objectives,

### **Benevolent Authoritative**

The benevolent-authoritative management system from the Likert Management System is a form of management in which the responsibility also lies in the top layer in the hierarchy. The main difference with the aforementioned system is that the employees' motivation has not been induced by means of threats and warnings, but rather through rewards. The superior has more faith in his subordinates and his subordinates receive a reward for their participation. The consultative management system is characterised by an open form of communication. Communication already tends more towards a two-way street, but from employee to superior it remains limited to what the superior would like to hear. In essence, the subordinates don't feel free to

make work-related recommendations or contribute ideas. The result is a lack of communication and teamwork.

### **Consultative**

In the consultative management system, the superior trusts his subordinates substantially, but not completely. He or she demonstrates this trust in his subordinates and constructively uses beliefs and opinions he shares. Employees' motivation is boosted by rewards and the individual's level of involvement. It's known that doing meaningful work strengthens intrinsic motivation. A flow of information flows both horizontally and vertically through the organisation and most subordinates feel free to make work-related ideas or problems known and open for discussion. Although a certain degree of discussion is possible, higher management makes decisions on its own.

### **Participative**

In the participative management system of the Likert Management System, upper management has full trust in the subordinates and encourages them to actively participate in the decision-making process. The employees feel completely free to discuss any issue with their superiors. The participative management system is also characterised by good teamwork and rewards as extrinsic motivation factors. Both the trust of upper

management downward and the frequency and level of openness in the communication is high.

## **Motivation**

The process of stimulating and inspiring people at work to contribute to the best of their capability for the achievement of organisational objectives is known as Motivation. Motivation is the inner psychological force that activates and compels a person to behave in a particular manner. It is a process of inductive individual desire towards a goal. Human beings drive satisfaction when the goal is achieved. Both financial and non-financial factors motivate employees in the organization.

“Motivation means a process of stimulating people to action to accomplish desired goal” – William G. Scout

### **Features of Motivation**

The features of Motivation are as follows:

- **Motivation is an internal feeling:** It is a psychological concept and it cannot be forced on the employees. It is an internal feeling, generated within an individual, which compels him to behave in a particular manner. Feelings like needs, desires, urges, etc., influence human behaviour to act in a particular manner.
- **Motivation produces goal-directed behaviour:** Employees' behaviour is influenced by motivation in such a way that they can achieve their goals. Motivation helps to achieve both organisational as well as

individual goals. For example, if a person wants to get a promotion, then he will work harder to achieve the goals effectively and efficiently.

- Motivation can be either negative or positive: Motivation can be either positive in form of rewards, like additional pay, incentives, promotion, recognition, etc., or negative in the form of force, like punishment, threat of demotion, etc. Positive motivation provides incentives to an individual to achieve the goal, whereas negative motivation creates fear in the mind of individuals in order to influence their behaviour to act in a desired manner.
- Motivation is a complex process: Humans are heterogeneous in their expectations, perceptions and reactions. A particular type of motivation may not have the same effect on all individuals as it is difficult to predict their behaviours. Therefore, motivation is a complex task.
- Continuous process: As human needs are unlimited, completion of one need gives rise to another, and it goes on. Therefore, motivation is a continuous process, and it does not end with the satisfaction of a particular need.

### **Importance of Motivation**

The importance of Motivation are as follows:

- Motivation helps to improve performance level: Motivation helps in satisfying needs of the employees and providing them satisfaction. Performance of the employees is improved with the help of motivation as it bridges the gap between the capacity to work and willingness to work. As a result, employees work with full dedication and make full use of their abilities to raise the existing level of efficiency.
- Motivation helps in changing negative attitude to positive attitude: Positive attitude towards the organisation helps to achieve organisational goals easily. Sometimes, employees have a negative attitude towards the

organisation or work. Motivation helps to change this negative attitude to a positive attitude through suitable rewards, positive encouragement and praise for good work. When the workers are motivated they work positively towards the organisational goals.

- Motivation helps to reduce employee turnover: Lack of motivation is the main cause behind employee turnover. Employees do not think of leaving the job when they are motivated by financial and non-financial incentives. Reduction in employee turnover saves a lot of money as direct expenses (recruitment and selection costs) and indirect expenses (labour dissatisfaction) are reduced. The organisations also benefit because the skill and competence of employees continue to be available to the organisation.
- Motivation helps to reduce absenteeism: Some of the reasons behind absenteeism are improper work environment, inadequate rewards, lack of recognition, etc., and these can be overcome or reduced if the employees are motivated properly. Proper motivation makes the work a source of pleasure, and workers do not refrain from work unless it is unavoidable.
- Motivation helps to introduce changes smoothly: An organisation can survive and grow only when it adapts itself to the dynamic environment. Changes are generally resisted by the employees because of fear of adverse effects on their employment. This resistance can be overcome by proper motivation. Motivation helps to convince employees that proposed changes will bring additional rewards to them. As a result, they readily accept these changes.

### **Maslow's Hierarchy of Needs Theory**

Behind every successful organisation, there is a highly motivated and committed team of employees. Since motivation is complex as it deals with human behaviour, various researchers have given different theories. **Maslow's**

**Hierarchy of Needs theory is considered very significant as it highlights the needs of the people.** It is a psychological theory proposed by **Abraham Maslow in 1943**. It suggests that human needs are arranged in a hierarchical order, starting from basic physiological needs to higher-level needs for self-actualization. The hierarchy is typically depicted as a pyramid with five levels: **Basic Psychological Needs, Safety Needs, Social Needs, Esteem Needs, and Self-actualization.**



Maslow categorised human needs into five types:

### 1. Basic Physiological Needs

These needs are basic for the survival of humans, and include hunger, thirst, shelter, sleep, sex, etc. These needs form the base of the hierarchy and have the highest strength in terms of motivation. Salary and other monetary incentives are the basic physiological needs in the context of organisational needs.

### 2. Safety or Security Needs

After satisfying the basic physiological needs, an individual thinks about safety from future uncertainties and other threats. Safety and security needs

aim to ensure that the person will be able to meet the physiological needs not only in present but also in future. It includes motivators like benefits of life insurance, pension plans, job security, etc.

Safety and security needs are concerned with two kinds of securities:

a) Physical Security: It includes security against death, injury, illness and other bodily threats.

b) Financial Security: It includes security of job and congenial working conditions.

### 3. Social or Affiliation or Belonging Needs

When physiological and safety needs are satisfied, social needs are important. These include need for love, friendship, affection and social interaction. The need for belongingness and acceptance plays a very important role in motivating human behaviour. The formation of informal groups in the workplace is an example of social or belonging needs.

### 4. Esteem Needs

After social needs, satisfaction of esteem needs is important as per Maslow's theory. These needs relate to the desire for recognition and respect from others. Esteem needs include autonomy status, attention, appreciation from others or prestige in society. Generally, employees at a higher level are motivated by such needs.

### 5. Self-Actualisation Needs

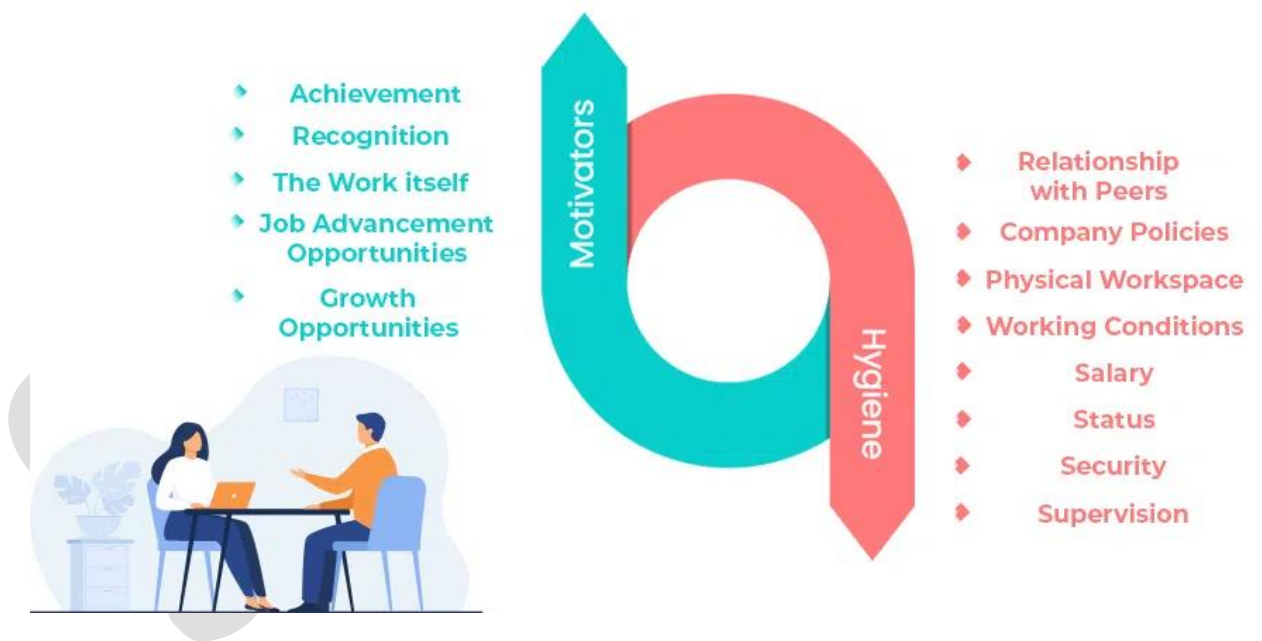
These include needs of becoming what one really wants to become. These needs inspire and motivate a person to develop himself to his maximum potential. Therefore, they are placed at the top of the need hierarchy. These include growth, self-fulfilment and achievement of goals. Challenging

jobs, opportunities for innovation, etc., are motivators, which help to satisfy the self-actualisation needs of an individual.

### **Herzberg's Two-Factor Theory of Motivation**

Herzberg's theory of motivation was coined by Fredrick Herzberg. The experiment through which this theory was derived was conducted by Herzberg and his associates. The interview was conducted among 200 engineers and accountants placed in the U.S.A. The main goal to conduct the experiment was to determine which factors people believe to be necessary for achieving desirable goals and, inversely necessary for avoiding undesirable conditions.

## **Herzberg Theory of Motivation**



This theory is famously also known as the Motivation **Hygiene theory** or **two-factor theory**. The motivational factor relates to the factors of growth, and the hygiene factor relates to the factors of survival or maintenance. Herzberg found out that some factors are likely to be constantly correlated with work satisfaction, and on the other hand, some factors are likely to be constantly correlated with job dissatisfaction.

Factors related to job satisfaction are motivational factors and are intrinsic in nature, and factors related to job dissatisfaction are hygiene factors and are extrinsic in nature. Following is the description of both of the factors:

### **1. Hygiene Factors**

People are not motivated by hygiene or maintenance factors; rather they help to avoid dissatisfaction and sustain the status quo. These factors are incapable of generating positive outcomes but surely restrain negative results to happen. If these factors are absent in the organization, then it can give rise to dissatisfaction and sustain a zero level of motivation. The term hygiene comes from science and medicine, which means taking precautions to preserve employees' well-being rather than certainly, improving it.

Following are some examples of hygiene factors:

- Interpersonal relationship with employers
- Interpersonal relationships with employees
- Interpersonal relationships with subordinates
- Organizational policies and structure
- Salary
- Work condition
- Personal experiences of individual
- Job role and security
- Personal life

Hygiene factors protect the performance and productivity of employees but do not stimulate growth in them. As a result, these are also known as

**‘dissatisfiers’**. These factors are derived from the external environment and conditions, so belong to the category of external factors.

## **2. Motivational Factors**

Motivational factors do have a favourable impact on work satisfaction and frequently lead to a rise in overall output. Therefore, these factors result in a favourable effect on effectiveness, production, satisfaction and motivation. Depending on the study, Herzberg claimed that managers have given hygiene factors much concern, but they haven’t been successful in getting the required behaviour from their workers. So, when it comes to motivating employees, the focus is more on motivational factors. Following are some examples of motivational factors:

- Growth prospects
- Authority and responsibility
- Achievement and acknowledgement
- Advancement
- Promotions
- Recognition

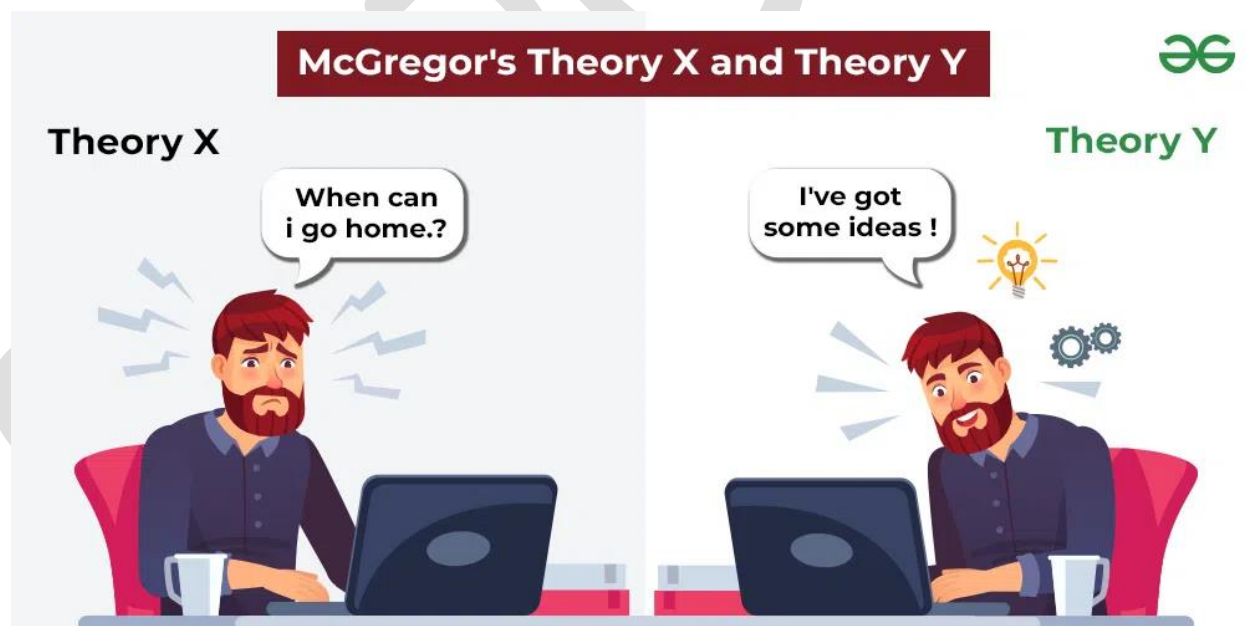
Any improvement in motivational factors will increase satisfaction levels, so these factors are capable of motivating the employees. Also, motivational factors can actually help to improve the quality of work. As a result, these are called **‘motivators’**. These factors are not necessarily derived from the external environment, like hygiene factors but are intrinsic factors, i.e., driven by the internal environment.

Herzberg also claimed that the motivational factors of today will become the hygiene factors of tomorrow. The reason is that as soon as a need is

met, it no longer affects behaviour. Also, because the motivation of an individual is also affected by an individual's personal attributes, so what is hygiene for one individual can be another person's motivation.

## Mc Gregor's Theory X and Theory Y

In the year 1960, Douglas McGregor, a management professor at the Massachusetts Institute of Technology, proposed two theories based on the hypothesis related to human behaviour in his book *The Human Side of Enterprise*. He believed that while motivating people, there are certain assumptions about human nature that should be taken into consideration. According to McGregor, there are two aspects of human behaviour at work which he described as Theory X (negative aspect) and Theory Y (positive aspect).



### Theory X

According to McGregor, Theory X is based on the following assumptions:

- The average human being will avoid work whenever it is possible because of their inherent dislike of work.

- Most of the people are gullible and not very intelligent.
- Most people by nature, always resist change and have security as their priority.
- An average person doesn't like responsibility, lacks ambition, and prefers to be directed by others.
- Lastly, an average human being is self-centred and indifferent to organisational goals.

Simply put, Theory X assumed that the basic source of an employee's motivation is money after which he prefers security.

Based on these assumptions, the following proposition is put together:

1. It is the responsibility of the management to organise the elements of a productive enterprise (money, equipment, material, and people) in the interest of economic gain.
2. While talking about human beings, management includes directing the efforts of people, motivating them, controlling their actions, and modifying their actions and behaviour based on the organisational needs.
3. It is essential for the management to reward, persuade, punish, and control people. It is because, without their active intervention, these people would become passive and even resist the organisational needs.
4. As it is assumed in this theory that people dislike work, it is necessary to coerce, control, direct, and threaten them with punishment to get things done from them for the accomplishment of the organisational goals.

As the above-mentioned assumptions are negative in nature, it can be said that Theory X developed by McGregor is a traditional or conventional approach to motivation. The management feels external control is more

appropriate to deal with irresponsible, unreliable, and immature people. McGregor believes that an organisation that closely supervises and controls its subordinates, and has highly centralised authority is one which is built upon the notions of Theory X. Besides, in these kinds of organisations there is autocratic leadership, and the employees, if any, will have very less say in the decisions affecting them. The management motivates people by promising them greater pay and through the threat of punishment. Simply put, an organisation following Theory X will have an impersonal climate as it uses **carrot and stick approach** to motivation.

### **Theory Y**

The assumptions on which Theory X was formulated had some faulty misconceptions about human nature. McGregor realised that there are some needs that were not considered in Theory X, such as ego satisfaction, social needs, and self-fulfilment of individual workers. Therefore, to meet these left-out needs, McGregor developed a counter approach, known as Theory Y, which proposes that:

1. It is the responsibility of the management to organise the elements of a productive enterprise in the interest of social as well as economic gains.
2. The theory also states that people are not passive or restricted to the needs of the organisation by nature. Their nature changes to this because of experience.
3. Characteristics like readiness to direct behaviour towards the organisational goals, motivation, potential for development, etc., are already present in the people. The management has to just make it possible for these people to recognise these characteristics in themselves.
4. Besides, it is important for the management to arrange the condition and methods of operations of the organisation so that the employees can

achieve their personal goals by directing their efforts towards the goals of the organisation.

The assumptions on which Theory Y is based are as follows:

- First of all, it is assumed that if the working conditions are favourable, then it can be as natural as play and rest. Average human being has no inherent dislike towards work. If the work is meaningful to a person, then it can be a source of satisfaction and there is a high possibility that it is performed voluntarily.
- If an individual is committed to work, then he/she will exercise self-control and self-direction to accomplish the work and organisational objectives. In simple terms, the threat of punishment or external control is not the only means of motivating an individual to complete the work and accomplish organisational goals.
- Besides, if an objective is associated with some reward, then the employee will have a high commitment toward the accomplishment of those objectives. **For example**, a person will be more committed to an organisational objective or work which accomplishes his self-development needs and satisfies his ego. Also, once an individual has selected his goal, he will continue with the work without any control or close supervision.
- If an average human being gets proper working conditions, then they will not step back from their responsibility. They will not only take the responsibility but will also work towards fulfilling it. Simply put, lack of ambition, avoidance of responsibility, and emphasis on security arise because of experience, not because of an individual's inherent dislike of work.
- It also assumed that imagination, creativity, and ingenuity are found in high amounts in human beings.

- People have unlimited potential but, under modern industrial life conditions, their intellectual potential is not fully utilised.

With the above explanation and assumptions, it can be seen that the modern and dynamic nature of human beings is represented through Theory Y. This theory is based on assumptions that are closer to reality. An organisation following Theory Y has decentralised authority, a two-way communication system, job enrichment, and participative leadership. The theory focuses on responsible jobs and self-control. With the help of the assumptions of Theory Y, there can be a more cooperative relationship between the workers and their managers. In simple terms, with Theory Y, the management of an organisation tries to establish a working environment in which an individual's personal needs and goals can relate to the organisational goals.

### Comparison between Theory X and Theory Y



| Theory X   | Theory Y   |
|--|--|
| <ul style="list-style-type: none"> <li>• Inherent dislike for work.</li> <li>• Unambitious and prefer to be directed by others.</li> <li>• Avoid responsibility.</li> <li>• Lack creativity and resist change.</li> <li>• Focus on lower-level (physiological and safety) needs to motivate workers.</li> <li>• External control and close supervision required to achieve organisational objectives.</li> <li>• Centralisation of authority and autocratic leadership.</li> <li>• People lack self-motivation.</li> </ul> | <ul style="list-style-type: none"> <li>• Work is natural like rest.</li> <li>• Ambitious and capable of directing their own behaviour.</li> <li>• Accept and seek responsibility under proper conditions.</li> <li>• Creativity widely spread.</li> <li>• Both lower-level &amp; higher-order needs like social, esteem &amp; self-actualisation are sources of motivation.</li> <li>• Self-direction and self-control.</li> <li>• Decentralisation and participation in decision-making Democratic leadership.</li> <li>• People are self-motivated.</li> </ul> |

### What is SWOT Analysis

SWOT Analysis is a **strategic planning tool** used to identify and evaluate the Strengths, Weaknesses, Opportunities, and Threats associated with a business or project. A SWOT analysis chart visually organizes these

elements, making it easier to analyze the current situation and plan for the future. For impactful presentations, a SWOT analysis PowerPoint template can be utilized to clearly communicate findings. Companies like **Apple** and **Amazon** frequently use **SWOT analysis** to stay competitive; for instance, a SWOT analysis for Apple might highlight its strong brand and innovation capabilities, while a **SWOT analysis for Amazon** could focus on its vast distribution network and customer-centric approach.

Identifying SWOT analysis opportunities **examples** is crucial for growth, as these opportunities can range from market expansion to technological advancements. Understanding and leveraging SWOT analysis opportunities helps businesses like Apple and Amazon capitalize on their strengths and address their weaknesses effectively.

## **Components of SWOT Analysis**

### **1. Strengths (S)**

Strengths can be thought of as your business's superpowers, the areas where it truly excels. These strengths emanate from the internal workings of your company. They could be attributed to various factors such as having a robust brand presence, an exceptional team of employees, cutting-edge technology, or highly efficient operational processes. Identifying these strengths is similar to recognizing the extraordinary abilities that set your business apart from the competition.

### **2. Weaknesses (W)**

In contrast, weaknesses are the areas where your business experiences limitations or faces challenges internally. These could be similar to the Achilles' heel of your organization. Weaknesses may encompass outdated equipment, a scarcity of skilled personnel, inefficient procedures, or any

internal aspect where improvement is essential. Identifying weaknesses serves as the initial step towards addressing these shortcomings, much like diagnosing an ailment to find a remedy.

### **3. Opportunities (O)**

Opportunities open up like wide doors for your business. They represent external chances for growth and enhancement. These opportunities often arise from developments in the external environment, such as emerging markets, innovative technologies, evolving customer preferences, or shifts in industry trends. Recognizing and seizing these opportunities is similar to having a treasure map that guides your business in planning strategic moves to attain those valuable rewards.

### **4. Threats (T)**

Threats present themselves as looming dark clouds on the horizon. They are external factors that have the potential to disrupt or harm your business. These threats might manifest as increased competition, economic downturns, changing regulations, or shifts in consumer behaviour that could negatively impact your operations. Being vigilant and prepared for these threats is similar to keeping an umbrella on hand, ensuring your business remains protected and resilient when adversity strikes.

### **What is Strategic Management?**

Strategic Management is the process of setting long-term goals and developing, implementing, and evaluating strategies to accomplish those goals. Making strategic decisions and acting on them to adjust to evolving situations and environments is a continuous and ongoing activity.



It involves examining an organization's existing situation and analyzing opportunities and obstacles that are involved in creating a plan for the organization. By coordinating an organization's goals, resources, and activities with its mission and vision, strategic planning aims to make sure that the plan succeeds in the future. A deep understanding of an organization's SWOT analysis (strengths, weaknesses, opportunities, and threats) is necessary for effective strategic planning while keeping in mind the changes in the external environment and modifying the plan accordingly. The strategic plan that is designed should act as a guide for selecting priorities and allocating resources over a certain period of time, usually three to five years.

*“Strategic management is a process that deals with the entrepreneurial work of the organization, with organizational renewal and growth, and, more particularly, with developing and utilizing the strategy which is to guide the organization's operations.” – Schendel and Hofer*

*“Strategic management entails the analysis of the internal and external environments of firms to maximize the utilization of resources in relation to objectives.” – Bracker*

*“The strategic management field can be conceptualized as one centered on problems relating to the creation and sustainability of competitive advantage, or the pursuit of rents.” – Bowman, Singh, and Thomas*

### **Features/Nature of Strategic Management**

The nature of strategic management can be characterized by the following key features:

1. **Long-term perspective:** Strategic management is concerned with accomplishing long-term goals that are consistent with the mission and vision of an organization. Making decisions that will affect the organization’s future for several years or more is a part of the process of strategic management.
2. **Unified approach:** An organization’s internal strengths and weaknesses, external opportunities and dangers, and the competitive environment are all taken into account by a strategic management method, which is an integrated approach.
3. **Continuous process:** Strategic management requires continuous monitoring and evaluation. It includes periodic strategy evaluation and revision in response to developments in the internal and external environment.
4. **Holistic perspective:** A holistic approach to strategic management acknowledges that an organization is a complex system of interconnected sections. It refers to taking into account how several functional areas, including marketing, finance, and operations, are interdependent and formulating plans that represent these areas.
5. **Risk management:** To implement strategies, risks, and uncertainties must be managed strategically. It involves finding possible threats, determining

their probability and impact, and creating backup strategies that reduce them.



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