Study Note - 8

MANAGEMENT PROCESS

This Study Note includes

8.1 Management - Introduction
8.2 Planning - Introduction
8.3 Forecasting
8.4 Decision-Making
8.5 Organising
8.6 Staffing
8.7 Directing
8.8 Supervision
8.9 Communication
8.10 Controlling
8.11 Co-ordination

8.1 MANAGEMENT - INTRODUCTION

Definition of Management – In management literature, large number of definitions of the term "management' exist as covered by different experts from time to time. Some of the popular definitions of management are; According to Dalton E. McFarlL and 'Management is that process by which managers create, direct, maintain and operate purposive organization through systematic, co-ordinated and co-operative human effort."

Harold koontz defined management as "The art of getting things done through others, and with people in formally organized groups. It is the art of creating and environment in which people can perform as individuals, and yet co-operate towards attainment of group goals."

In the words of George Terry, "Management is a distinct process performed to determine and accomplish stated objectives by the use of human beings and other resources."

Henry Fayol, the pioneer of Administrative Management viewed management as a process consisting of five functions which every manager performs, "To manage is to forecast and plan, to organize, to command, to co-ordinate, and to control." Though modern authors do not consider co-ordination as a separate function of management, but the essence of managing.

Management : Meaning – Ordinarily, the term management denotes utilisation of available resources to achieve some objectives. Every individual person has to manage his individual problems. It is more common in group life, as we find it in the business, factory, school, hospital, trade union, etc., as well as in the Government. It started to exist in human life since man started his sedatory habits and forming into a society.

Management is a distinct function and so it can be separately studied. It consists of some basic and interrelated activities. It is a way or a discipline, which adds effectiveness to human efforts and brings order to them. As a process it has a dynamic aspect. It is developing as a distinct branch of sociology. But there are some difficulties with regard to the terminology. The people who perform management

are also known as 'the management.' It is perhaps better to use the word 'managing' to denote the function of management.

Peter Drucker, a modern exponent of management thoughts goes a step further and considers management "as an essential, a distinct and a leading institution" which has a pivotal position in social history. Drucker says "Management, which is the organ of society specifically charged with making resources productive, therefore reflects the basic spirit of the modern age."

Lawrence Appley has written that "Management has been defined in very simple terms as 'getting things done through the efforts of other people' and that function breaks down into at least two major responsibilities, one of which is planning, the other control."

Common to all these definition is the contention that management involves activities that are directed towards determination and accomplishment of organizational goals. From these definition emerge the functions of management which are namely :-

(i) Planning

(ii) Organsing

(iii) Staffing

(iv) Leading

(v) Controlling

- Planning involves precisely determining the objectives, ie. deciding in advance what is to be done, when it is to be done, and how it is to be done.
- Organising refers to the identification of activities and creation of departments. Thus, it also leads to creation of authority and responsibility relationships throughout the enterprise.
- Staffing involves manpower planning, employment of personnel through recruitment and selection, placement, induction, orientation, training, development, performance appraisal, industrial relations etc.
- Leading or leadership is an indispensable activity which every manager has to perform for directing the people under him towards accomplishment of common goals. it includes communication, supervision, motivation etc.
- Controlling involves setting standards of performance, comparing actual performance against these standards, identifying derivation and taking corrective actions to ensure that activities are carried but in conformity with the plans. Thus, control is a comparision and verification process.

8.2 PLANNING - INTRODUCTION

Planning is an important function of management. Planning is an activity by which managers analyze present conditions to determine ways of reaching a desired future state. Planning is both an organisational necessity and a managerial responsibility. Through planning, organizations choose goals based on estimates or forecasts of the future. Concern for future is intensified by the fact of relentless, unremitting change. The purpose of planning, in the words of Dalton McFarland, is two fold: to determine appropriate goals, and to prepare for adoptive and innovative change.

8.2.1. Definition and Characteristics

Planning is an intellectual process, the conscious determination of course of action, basing of decisions on purpose, facts and considered estimates. (Harold Koontz and Cyril O'Donnell).

The plan of action is, at one and the same time, the line of action to be followed, the stages to go through, and methods to use. It is a kind of future picture wherein approximate events are outlined

with some distinctness, whilst remote. According to George Terry, "Planning is the foundation of most successful actions of all enterprises".

Planning is defined as the activity by which managers analyse present conditions to determine ways of reaching a desired future stage. It embodies the skills of anticipation, influencing, and controlling the nature and direction of change. (Dalton McFarland)

Planning is the function that determines in advance what should be done. It consists of selecting the enterprise objectives, policies, programmes, procedures, and other means of achieving the objectives. In planning, the manager must be able to manipulate abstract ideas and anticipate the impact of the many possible outcomes as they affect the enterprise as a whole. (Theo Haimann).

Characteristics or Features of Planning

(i) **Planning is a primary function of management**: When planning, the manager decides which of the alternatives should be followed, which policies, procedures, programmes, projects and so on would be set up.

(ii) **Planning is goal oriented** : Planning is aimed at defining the organisational goals and design appropriate action plans in order to achieve these goals.

(iii) **Planning is an intellectual process** : In the words of Theo Haimann, "Planning requires a mental predisposition to think before acting, to act in the light of facts rather than of guesses, and generally speaking to do things in an orderly way".

(iv) **Planning is pervasive** : Planning is all pervasive and it embraces all segments and levels in the organisation.

(v) **Planning is continuous function:** To keep the organisation as a going concern, it is essential that planning must be done continuously.

(vi) **Planning involves choice between alternatives** : Planning involves choice among alternatives courses of action. If there is only one course, objective, policy, programme or procedure, perhaps then there exists no need for planning.

(vii) **Planning is concerned with the accomplishment of group objectives:** Planning is thus aimed at setting group goals and organisational goals rather than concentrating on individual goals.

(viii) **Planning is flexible** : No plan is rigid. When a plan is adopted, it chalks out a definite course of action. But the future assumptions upon which the planning is based may force managers to change the original plan.

8.2.2. Utility of Planning

(i) **Planning enables a manager or organisation to affect rather than accept the future.** Planning enables the managers to influence the future productivity for the benefit of the enterprise, by setting objectives and adopting a course of action.

(ii) **Planning makes way for orderly activities.** Planning enables coordination of the activities. In this process, unproductive work is minimized.

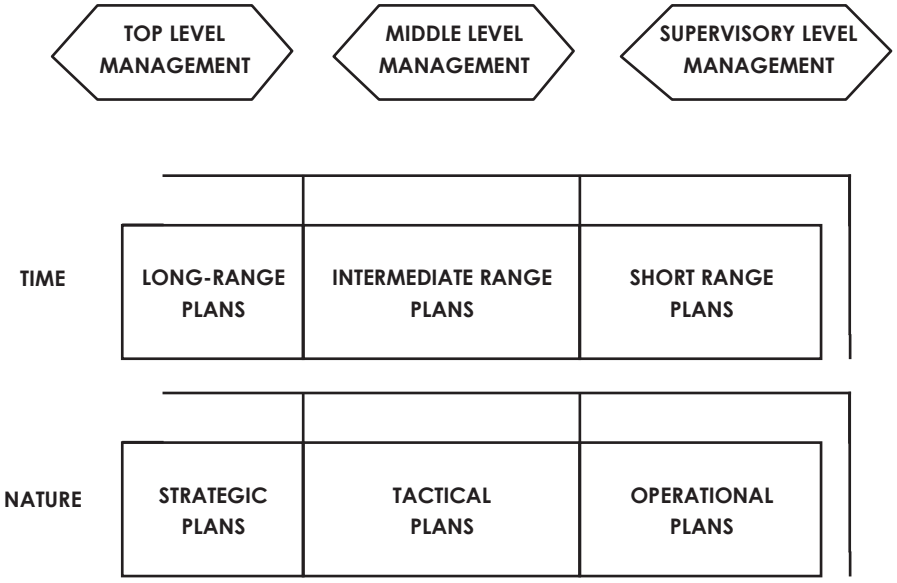
(iii) **Planning results in healthy organisational climate.** Involvement of people in planning process enhances the behavioural climate because it results in increased understanding themselves and the organisation as a whole. Positive attitudes are developed.

(iv) **Planning provides unifying framework.** Planning enables people within an enterprise to work effectively and harmoniously for the accomplishment to the common goals.

(v) **Planning provides direction and a sense of purpose for the organisation.** Planning involves logical thinking, as well as rational decision making. Planning helps in uncovering and recognizing opportunities and threats at the earliest.

(vi) **Planning provides a basic for control in an organisation.** Planning channelises the behaviour in the right direction and helps in evaluating the performance.

MANAGEMENT LEVELS



Planning and Management Level

Fig. 8.1

8.2.3. Limitations of Planning

(i) **Inaccuracy :** Formulation of future plans on the basis of wrong forecasts may not lead to the desired results.

(ii) **Time-consuming :** Planning involves determination of the major goals to be achieved. It is time consuming and it involves energy, time and mobilization of different kinds of resources.

(iii) **Rigidity :** Planning often gives some amount of rigidity to its policies, procedures, programmes and methods. A balance between stability and flexibility in planning is to be maintained.

(iv) **Costly :** Planning is costly because it requires money, time and information.

(v) **Attitudes of Management :** Good planning is an agonizing process - it is an intellectual activity. It requires tremendous amount of paper work and time. Most managers would not like to undergo such a painful process and prefer to become doers rather than thinkers.

(vi) **Faulty design of planning system :** Some of the limitations due to the design of planning system can be listed as under :

- *Lack of reward :* Planning system may not have reward mechanism and as such managers tend to address their attention to short run results of their performance which carried reward.
- *Lack of participation :* When planning is imposed from the authorities, it may lead to resentment and resistance among those who are forced to execute.
- *Lack of specific activities :* Planning cannot be effective unless the goals are specific and clear.
- *Competence of the planner :* A planner must possess not only skill, but intelligence and breadth of vision, and for long-range master planning must have the ability to forecast.

(vi) **Planning prevents innovation:** Planning demands total commitment to written policies, procedures, rules etc. It restricts a manager unnecessarily to defined areas.

(vii) **Lack of orientation and training for managers:** For most of the managers planning is easy to put off, as it is not at all exciting or action-oriented.

(ix) **Uncertainty :** Planning has to' reckon with numerous uncertainties in the environment.

Finally, planning is a mere ritual in a fast changing environment. The sudden and dramatic changes in technology, competition, government regulations, political, legal, ethical and social changes reduces the effectiveness of the planning effort.

8.2.4. Prerequisities of Effective Planning

Planning does not substitute facts for judgment. It does not substitute science for the manager. However, some general principles can be followed to make planning effective.

- Make plans simple and easy to understand. When the plan itself is complicated, it invites misunderstandings among the members of organisation.
- Be selective in the plan. Successful managers never try to cover too much territory.
- Plan should be geared to meet, the needs of those who implement it.
- A plan should be thorough, it should not omit any function or sub-function and should not overlook any necessary details. At the same time, controversial statements should be avoided/ignored.

According to Gary Dessler, to plan effectively the managers should consider the following points:

(i) **Develop accurate forecasts :** Forecasting can be made accurate by educating the forecasting users in the art of relating the forecasting techniques to practical problems and also encouraging the people who are entrusted with the forecasting job to look into the informational needs of managers.

(ii) **Gain acceptance for the plan :** It is necessary to secure the acceptance and commitment from them. This can be done by soliciting the subordinate's participation in the planning process itself.

(iii) **Plan must be sound one :** To increase the efficiency of plans, managers are advised to follow an open-system approach where they recognize and pay concentration to the complex environment in which their organisation is functioning, apart from judging pros & cons of a plan.

(iv) **Develop an effective planning organisation :** Planning involves answers to several questions. The solution for these questions requires a blueprint for planning and a 'planning organisation' as such.

(v) **Be objective :** The managers should, not hesitate to verify the truth behind the pessimistic notions or beliefs. To see that planning is successful, managers must be objective.

(vi) **Measure firm's market value :** One of the primary responsibilities of a manager is to measure the total market and see that the organisation's share in the market is as large as possible. For this the manager should estimate the firm's share in the market.

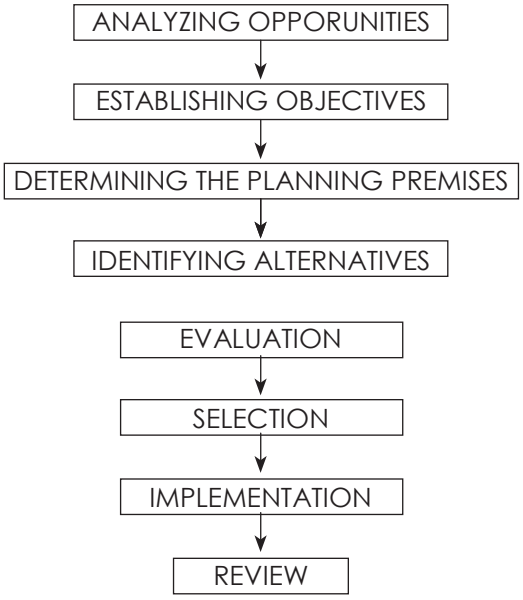
(vii) **Decide in advance the criteria for abandoning a project :** A plan should always include a specification, agreed on in advance for abandoning the plan. Managers should least hesitate in disconnecting the unproductive connections in the product/ project structure.

(viii) **Set up a monitoring system:** Plans should preferably be subjective to regular appraisal and review. Every plan should be refined and restructured on the basis of accurate and timely information.

(ix) **Revise the long-term plans every year :** Management should review long-term plans annually so as to match external opportunities with organisational resources in a proper way. By reviewing the progress made on the plan, the reasons for under performance or over-performance can be found out.

(x) **Fit the plan to the situation:** These days planning has become situational. A change in any part of the environment must be sensed and appropriate strategy must be determined to cope with the change".

8.2.5. Steps in planning



Steps in the Planning Process

Fig. 8.2

Steps in Planning Process – The process of planning consists of a series of interrelated steps which varies depending on the size and complexity of the organization. The basic steps involved in the process of planning are –

1. **Analysis of opportunities –** Planning starts with analysis of opportunites in the external environment as well as written the organization. Goals can be set only when a proper scanning of the environment, that reveals the opportunities that exist.
2. **Establishing Objectives –** The next step in planning process involves establishing objectives for the whole organization, and for the different departments. Organisational objectives provide direction to the major plans
3. **Determining planning Premises –** Planning premises refer to the environment in which the plans are to be implemented,. The task of determining premises should only be continued to those aspects that are critical to the plan.
4. **Identifying alternatives –** Different feasible alternatives need to be identified in order to achieve a particular objective, since there may be multifarious ways in which a particular goal can be accomplished.
5. **Evaluation of alternatives –** Alternatives need to be evaluated in the light of goals. That are set, and objectives to be achieved considering the various constraints and uncertainties that exist.
6. **Selection of the best alternative –** The choice of the best alternative, ie the selection of the most appropriate course of action. Sometimes two or more contingency plans are kept as a back up considering. The unpredictatbility of the future.
7. **Implementing the plan –** Implementation or execution entails putting the plan into action. Managers need to consider a series of important decisions during implementation of the actions stated in the plan.

8. **Reviewing the Plan –** Reviewing the plan help managers to evaluate the effectiveness of the plan. A system of thorough review and scrutiny can help in detecting derivations from the The set plans and remedial measures can be taken accordingly.

8.2.6. Purposes of Planning

Planning is intended to serve a few important purposes or needs. The importance or the primacy of planning stems from its ability to serve these purposes which are briefly stated as follows:

(a) Planning is intended not only to evolve the desired future shape of the organisation but also to bridge the gap between its present position and the desired future shape.

(b) Planning aims at providing a framework for the organisation to make major decisions in the present with a better sense of futurity and a better idea of their future outcomes.

(c) An important purpose of planning which is related to the above purpose is to facilitate the process of an integrated thinking for evolving a network of decisions and actions which are internally consistent and supportive of each other.

(d) Another purpose of planning relates to effective and efficient resource mobilisation, allocation and utilisation. Apart from efficient allocation and utilisation, planning can be directed to conserve, safeguard and develop the scarce resources critical to the survival and success of the organisation.

(e) A critical purpose of planning is to provide a conceptual and concrete basis for initiating and carrying forward the functions like organising, staffing, direction and control.

8.2.6.1 Approaches to Planning

Independent of the above philosophies of planning, we may identify four different approaches to planning in actual practice in various organisations. These approaches are described as follows :

(a) Top-down approach :- As the name indicates, top management takes the initiative in formulating major objectives, strategies, policies and derivative plans in comprehensive manner and communities them down the line to middle and supervisory management levels for translating them into performance results. Managers other than those at top levels have little role in planning; they have only to concentrate on implementation and day-to-day control.

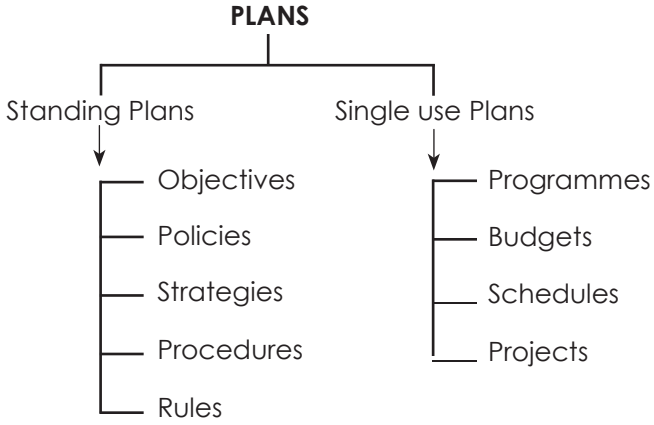
(b) Bottom-up approach :- This is a virtual reversal of the above approach in the sense that the plan proposals originate at the supervisory management level, travel up the management hierarchy in a step-by-step manner and reach the top management level for review and approval. In this approach top management gnerally refrains from giving any guidelines to lower management levels on what to plan and how.

(c) Composite approach :- Here the top management provides broad parameters and guidelines to line executives at middle and lower management levels, allows the needed flexibility and support to formulate tentative plans, which are reviewed and finalised by top management in consultation with all the managers at the appropriate levels. The approach is useful to evolve corporate-wide plans also, which partly draw inspiration from the planning ideas and perspectives generated at the lower level.

(d) Team approach :- In the approach, the task of planning is entrusted to a select team of managers, whether they are line managers or staff experts. The team functions under the leadership of the chief executive. It does not finalise plans as such but initiates the planning process, identifies the areas of problems and opportunities, examines the internal and external environment, collects information, solicits ideas and formulates tentative proposals for consideration by the chief executive. The team is used by the latter as his brains trust; it may even be asked to monitor the progress of plans and review performance.

8.2.7. Types of Plans : Single use and Standing Plans

To provide guidance to the managers to make decisions, take action and solve problems, various plans are drawn up. These plans help the managers in managing day to day affairs, utilising resources of organisation efficiently and in regulating working behaviour of subordinates. These plans do provide unifying and consistent base for managerial decision and action. These may be grouped into single use plans and standing plans.



Standing Plans

Standing plans are the recurring plans and they are used repeatedly in situations of a similar nature. A standing plan is used again and again over a long period of time. It is a standing guide to thinking and action. A standing plan is standing answer to recurring problems and it is of permanent or long term nature. Standing plans simplify the decision making process as they decide in advance what and how of a variety of operations. They make it possible for managers to spend their most creative efforts on single use plans. Standing plans are essential for smooth operations. Objectives, policies, procedures and rules are important standing plans.

Single use Plans

A single use plan is used once and then it is discarded. It is designed to fit the demands of a specific situation or goal and is 'used up' when the goal is achieved or the situation is over. A single use plan is used for a short period of time. Budgets, schedules; projects etc. are the examples of single use plans. Standing plans are prepared for repetitive activities while single use plans are meant for non-repetitive activities.

8.2.8. Planning Premises

Planning premises are basic assumptions about the environment in which plans are expected to be implemented. Certainly, planning has to take into account numerous uncertainties in its environment. Premises guide effectively planning. As pointed out by Harold Koontz, planning premises spell out stage of the expected future event which is believed will exist when plans operate. They are the expected environment of plans. Planning premises are largely derived from forecasting. The effectiveness of planning to a great extent, depends on how accurately the premises are developed from out of the forecasting data. Though it is not possible to predict accurately future environmental conditions, planning has necessarily to be based on certain assumptions about the environment. These assumptions are captured in the form of planning premises.

Planning premises can be categorized into three heads —

- internal and external premises
- controllable, semi controllable and uncontrollable premises
- tangible and intangible premises

(a) **Internal and External premises** : The factors which exist within the business organisation furnish the basis for internal premises. These include sales forecast, cash flows, capital budgeting, advertising expenditure, product line, marketing mix, competence of the managerial personnel etc. On the other hand external premises are concerned with the general business climate comprising of economic, social, political, technological conditions in the economy.

(b) **Controllable, semi-controllable and uncontrollable premises** : The premise which can be controlled by the management are known as controllable premises, These include the internal policies, credit policies, investment plans, research projects, rules.etc. which are within the jurisdiction of management. Semi-controllable premises are those over which the management has some control. Some of the examples of these premises are union management relations, firm's share in the market, market strategies, labour turnover etc. Finally premises over which a firm has no control are known as uncontrollable premises. Examples in this category include the natural calamities, wars, strike, innovations, emergency legislation etc.

(c) **Tangible and intangible premises** : The premises that can be expressed in tangible physical terms (monetary units) such as labour hours, production units are knows as tangible premises. On the other hand, intangible premises are those that defy quantification! Examples of intangible premises are public relations, employee morale, reputation of the firm, competitive strength of the firm, etc. though the intangible premises cannot be quantified in specific terms, these cannot be ignored while planning.

8.3 FORECASTING

Forecasting is the process of using past and current information to predict future events and making provision to face such challenges of future contingencies. In the words of Henry Fayol "The plan is the synthesis of various forecasts: annual long-term, short-term, special etc. It is a sort of picture of the future, where immediate events are shown clearly, the prospects or the future with less certainty".

According to Louis A. Allen "forecasting is a systematic attempt to probe the future by inference from known facts. The purpose is to manage with information on which it can base planning decisions".

Forecasting is that concerned with the calculation of probable events and it involves 'looking ahead' in order to predetermine the events and their financial implication of these events on the business organisation. Forecasting is the formal process of predicting future events that will significantly affect the functions of the enterprise.

8.3.1. Methods of Forecasting

Forecasting techniques help organizations to plan for the future. Some are based on subjective criteria and often amount to title more than wild guesses or wishful thinking. Others are based on measurable, historical quantitative data and are therefore given more credence by business decision makers, analysts and potential investors. While no forecasting technique in entirety can predict the future with complete certainty, they remain essential in estimating an organisation's prospect.

Qualitative forecasting methods are subjective, based on the opinion and judgement of consumers, experts and more appropriate when past data is not available. It is usually applied to intermediate long range decisions. Examples of qualitative forecasting methods are informed opinion and judgement, delphi technique etc.

Quantitative forecasting methods on the other hand are used to estimate future demand as a function of past data, and therefore appropriate when historical data are available. The method is usually applied to short-intermediate range decisions. Popular quantitative methods of forecasting include time series analysis, extrapolations, econometric analysis, regression analysis, etc.

8.3.2. Advantages of Forecasting

The following are the payoffs of forecasting.

(i) Forecasting plays an important role in planning. In fact, plans are based on forecasts.

(ii) Forecasting helps the organisation to derive the benefits from the environmental changes (when the changes are favourable to the enterprise) and protect from the adverse effects (when the changes are unfavourable).

(iii) Forecasting helps the manager to unify and coordinate the activities in the enterprise.

Accurate sales forecast is almost impossible in the absence of general business forecasting.

(iv) Forecasting facilitates control by identifying the weak spots in the organisation. When once these weak spots are identified. It becomes easy for the managers to establish sign posts for effective control and sound planning thereafter.

(v) Forecasting helps the enterprise in the achievement of objectives effectively and smoothly.

8.3.3. Limitations of Forecasting

Forecasts are just estimates of future conditions but not indicators of actual position. Future is never certain. Future is almost always shrouded by the shadows of uncertainty and it may be possible that the best laid plan may not yield fruitful results and bad plan may derive supernormal profits to the firm. Uncertaintly places a serious limitation to forecasting.

Another long standing limitation of forecasting is that it is based on certain assumption about the future and as such it involves guess work on the part of managers. In this process, some errors may creep in rendering the forecasts unreliable.

The success of forecasting depends largely on the skillful application of forecasts into practice and the meticulous care that is taken by the managers in preparing forecasts. A forecast should, to be successful, consider arriving at a magic figure not by the fanciful guess work but by a careful analysis of the past events and project them into future more rationally.

8.4 DECISION-MAKING

One of the indispensable components of management of organisations is the decision making. Every manager is in decision-making. Herbert A. Simon equated management with decision making because whatever a manager does is nothing but decision-making. All the functions of management involve decision-making and hence it is all-pervasive in nature.

For instance, a manager has to decide the long-term objectives of the organisation, strategies, policies and procedures to be adopted to achieve these objectives; he has to decide how the jobs should be structured to match the jobs with the individuals in the organisation; he has to decide how to motivate the people to achieve higher performance; he has to decide what activities should be controlled and how to control these activities etc. In other words, decision- making is the substance of a manager's job.

According to Felix M. Lopez "a decision represents a judgement: a final resolution of a conflict of needs, means, or goals; and a commitment to action made in the face of uncertainty, complexity and even irrationality". Thus, a decision is a course of action which is consciously chosen for achieving a desired result. In the words of George R. Terry "Decision-making is the electing of an alternative from two or more alternatives, to determine an opinion or a course of action". A more comprehensive definition of decision-making is given by Andrew Szliagyl in terms of the following: "Decision-making is a process involving information, choice of alternative actions, implementation, and evaluation that is directed to the achievement of certain stated goals".

John McDonald stressing the importance of decision making opines. "The business executive by Profession is a decision maker. Uncertainty is his opponent, and overcoming it is his mission. Whether

the outcome is a consequence of luck or wisdom, moment of revision is without doubt the creative event in the life of the executive."

Thus, a decision is the selection of a course of action from several alternatives and the decision- making is the process of arriving at the final selection.

8.4.1. Types of Decision

There are several types of decisions:

Routine and strategic decisions: Tactical or routine decisions are made repetitively following certain established rules, procedures and policies. They neither, require collection of new data nor conferring with people. Thus they can be taken without much deliberation. They may be complicated but are always one dimensional. They do not require any special effort by the manager. Such decisions are generally taken by the managers at the middle and lower management level. Strategic or basic decisions, on the other hand, are more important and so they are taken generally by the top management and middle management. The higher the level of a manager, the more strategic decisions he is required to take. The strategic decisions relate to policy matters and so require a thorough fact finding and analysis of the possible alternatives. Finding the correct problem in such decisions assumes great importance. The managers are more serious about such decisions as they influence the decision making at the lower levels.

Programmed and non-programmed decisions: The programmed decisions are of routine and repetitive natures which are to be dealt with according to specific procedure. But the non-programmed decisions arise because of unstructured problems. There is no standard procedure for handling such problems. For example, if an employee absents himself from his work for a long time without any intimation the supervisor need not refer this matter to the chief executive. He can deal with such an employee according to the standard procedure which may include charge sheet, suspension, etc. But if a large number of employees absent themselves from work without any information such a problem cannot be dealt in routine manner. It has to be dealt with as an unstructured problem and the decision should be taken by the chief executive. Non-programmed decisions require thorough study of the problem and scientific analysis of the situational factors. There has to be adequate probing analysis of various alternatives before taking such decisions.

Policy and operating decisions: Policy decisions are of vital importance and are taken by the top management. They affect the entire enterprise. But operating decisions are taken by the lower management in order to put into action the policy decisions. For example, a bonus issue is a policy matter which is decided by the top management, but the calculations of bonus is an operating decision which is taken at the lower levels to execute the policy decisions.

Organisational and personal decisions: Organisational decisions are those which a manager takes in his official capacity. Such decisions can be delegated. But, personal decisions, which relate to the manager as an individual and not as a member of the organization, cannot be delegated.

Individual and group decisions: When a decision is taken by an individual in the organisation, it is known as individual decision. Such decisions are generally taken in small organisations and in those organisations where autocratic style of management prevails. Groups or collective decisions refer to the decisions which are taken by a group of organisational members, say Board of Directors or Committee.

8.4.2. The Decision-making Process

Decision making is every manager's primary responsibility. To make good decisions, managers should invariably follow a sequential set of steps as presented below :-

(a) **Identifying and diagnosing the real problems:** The first step in the decisionmaking process is the identification of the problem. Diagnosing the problem implies knowing the gap between what we

want to happen and what is likely to occur if no action is taken. As pointed out by Newman and Summer, identifying the 'cause of the gap' and understanding the problem solve the problem.

According to Peter F. Drucker, critical factor analysis is helpful in identifying the causes of the problem properly. A decision maker should collect as much information as possible before attempting to solve it. If possible, in addition to tacts, opinion should also be collected, which would aid in diagnosing the problem effectively.

(b) Developing alternatives : While selecting the alternative course of action a manager should consider the viable and realistic alternatives only. Further, he should consider the time and cost constraints and psychological barriers that would restrict the number of reasonable alternatives. Newport and Trewatha contend that the brain storing and group participants may be fruitfully employed in developing alternatives. Ingenuity, research and creative imagination are required to ensure that the best alternatives are considered before a course of action is selected for inclusion of it among the alternatives.

(c) Evaluation of alternatives : Perhaps one of the most important steps in decision making is the evaluation of each alternative. Here, the decision-maker draws balance sheet of every alternative by identifying the advantages as well as disadvantages of these alternatives. All pertinent facts about each alternative should be collected, the pros and cons must be considered and the important points must be distinguished from the trivial or peripheral matters. The purpose of all this exercise is to limit the number of alternatives to a manageable size and then consider the alternatives for the selection.

Some of the criteria for evaluating an alternative could be —

(i) resources available for implementing the alternative

(ii) economy of effort

(iii) element of risk involved

(iv) results expected

(v) time constraint

(vi) accomplishment of common goal

(vii) implementation problems etc.

(d) Selection of an alternative : The next important step in decision-making process is the selection of best alternative from various available alternatives. Indeed, the ability, to select the best course of action from several possible alternatives separates the successful managers from the less successful ones. Drucker mentions four criteria viz. the risk, economy of effort timing, and limitation of resources, before one alternative is selected among the available ones.

(e) Implementation and follow up of the decision : The final step in decision making process is the implementation of the selected alternative in the organisation.The alternative-selected should be properly communicated to those members of organisation who are concerned with the decision. Acceptance of the decision by group-members is absolutely essential to the successful implementation Further , after implementation of the decision it is necessary to follow up to see whether the decision is yielding the desired results or not. A manager should least hesitate to ride out a decision that does not accomplish its objective. A manager should see it nesessary, that all organisational members participate in the decision making as decision implementation.

8.4.3. The Environment of Decision-making

The environment in which decision-making is done and in which decisions are implemented can be described along the following lines:

Certainty : In an environment characterised by certainty, full information is available on all the factors relevant to the problem and its solution. Information is also regarded as reasonably reliable and easy to

get and is not too expensive. In such a setting, the manager can have full knowledge about the future, about the alternatives and their outcomes. He is therefore in a position to choose the best alternative.

Another meaning of the state of certainty is that the manager considers only a few factors which are known and about which information is available. He ignores the other factors as irrelevant for his problem. In other words, he creates a closed system and tries to make his decision in that setting. He simply 'abstracts away' from the complexities of the decision situation by making certain assumptions.

Uncertainty : Under conditions of uncertainty, the manager faces a situation in which information is neither available nor reliable. Everything is in a state of flux; several random forces operate in the environment which makes it unpredictable. The variables change fast; their interaction is complex and the manager has no means of getting a grasp of them. The manager cannot have an idea about the outcomes of the alternatives courses of action or their probabilities. Even so, he had to tackle the situation, create some order out of chaos and make his decision by using his judgment and experience.

Risk : In this situation, the manager is in a position to get only some information about his decision situation. But he is not completely sure of the availability or the reliability of information. Though he may be able to develop alternative courses of action, he is less than definite about their outcomes. In other words, the expected results are not deterministic but only probabilistic because the future conditions cannot be predicted with accuracy in the absence of full information.

8.4.4. The Importance of Information in Decision-making

Information is a basic requirement for decision-making. It significantly determines the effectiveness of not only the final decision but also the process of decision-making itself. Therefore, decision- making is sometimes regarded as the processing and conversion of information into action. Hence timely collection and processing of information is of such great importance—all big concerns now have devised management information system, mostly computer based.

Managers require information to recognise and define problem situations, to develop alternative courses and to select the best alternative. During the course of decision making new information may become available which is to be absorbed. Information helps the managers to have a better view of the decision situations and to reduce the complexity and uncertainty surrounding them. With the availability of information, the problem situation becomes more controllable and manageable.

8.4.5. Management Information System

Management Information System (MIS) is the system of organising the information flow and network within the organisation. It is concerned with systematic generation of information, both from internal and external sources, for purposes of feeding it to the various managerial levels in an integrated manner at the proper time to help them in their decision-making function. MIS is also concerned with proper storage and retrieval of information as required by managers. The decision making centers in the organisation are inter-linked through MIS, in a manner that decisions made at higher levels are used as inputs for decisions made at the lower levels. All information is to be specifically decision oriented. It is however, to be remembered that information is not a substitute for managerial skills and judgment for making decisions. MIS does not replace the decision making system. Nor should it be allowed to dominate the managerial system. It is meant to assist managers and not to dictate them.

8.4.5.1. Elements of Programmed Decisions

The modern techniques for making major decisions on routine but complex problems are mostly quantitative. They are based on the scientific method, the most salient elements of which are the following :

(i) Statement of clear objectives.

(ii) Definition of the problem.

(iii) Formulation of hypotheses.

(iv) Collection of facts.

(v) Testing the hypotheses.

(vi) Explanation of results.

The aim is to help managers to make precise and perfect decisions for efficient utilisation of scarce resources. Quantification of variables and determination of relationships amount them through mathematical equations helps the process of arriving at optimal decisions.

8.4.5.2. Quantative Techniques of Decision Making

(i) **Linear programming:** It is the technique for optimisation of an objective function under given resources and constraints. The objective function is either maximisation of some utility or minimisation of some disutility. The technique is useful under conditions of certainty.

(ii) **Probability decision theory :** The basic premise of this theory is that the behaviour of the future is probabilistic and not deterministic. Various probabilities are assigned to the 'state of nature' on the basis of available information or subjective judgement and the likely outcomes of the alternative courses of action are evaluated accordingly before a particular alternative is selected. Pay-off Matrices and 'Decision Trees' are constructed to represent the variables.

(iii) **Game theory :** It is a useful aid to the decision maker under conditions of competitive rivalry or conflict. The adversaries in the conflict are supposed to be involved in a game of gaining at the total or partial expense of each other. There are 'two-person', 'three-person' and 'n- person' games as also zero-sum and non-zero sum games.

(iv) **Queuing theory :** The technique is designed to find solutions to waiting line problems for personnel, equipment or services under conditions of irregular demand. The objective is to find optimum volume of facilities to minimise the waiting period, on the one hand, and the investment associated with building up and maintaining the facilities, on the other. Public transport systems, hospitals, and big departmental stores are some of the possible users of this technique.

(v) **Simulation :** It is a technique for observing the behaviour of a system under several alternative conditions in an artificial setting. When the conditions of the environment are very complex and when it is not possible to find the one best way of doing things, it provides the manager a way out. The likely behaviour of events and variables is observed and evaluated in a simulated setting. It is possible to experiment with various possibilities or alternatives in a simulated setting rather than in a natural setting.

(vi) **Network techniques :** There are two powerful network techniques—Critical Path Method (CPM) and Programme Evaluation and Review Technique (PERT) which are useful for project planning and control. Complex projects involve considerable cost and time. The objective is to minimise both by working out a 'critical path' where managerial attention is to be concentrated. A diagrammatic net-work of activities required for completion of a project is prepared in detail to assess their inter-relation, to segregate sequential activities from simultaneous ones and to estimate the probable time and cost of their completion.

8.4.5.3. Modern Techniques for Non-programmed Decisions

(i) **Creative techniques :** Creative thinking is needed for solving novel, non-routine problems.

Creativity refers to ability to generate new ideas and new ways of doing things. Brainstorming is one of the creative techniques. It involves use of the brain to find different ideas which can solve a critical problem. It is a group based technique. Members of the group in a session are encouraged to throw up all possible alternative solutions to a problem. The ideas may be wild or impractical but they may lead to a creative solution ultimately.

(ii) **Participative techniques :** Employee participation in management and decision making is often hailed as industrial democracy. The participative approach has several positive attributes for

problem solving purposes. Involvement of individuals and groups in decision-making improves the quality of decisions, fosters responsibility and commitment for implementing them, enhances employee motivation and morale, results in more acceptable and timely decisions and so on.

(iii) **Heuristic techniques :** It is a sophisticated type of trial and error technique to find solutions to complex problems on a step by step basis. It recognises the fact that decision making in complex, strategic problems cannot be too rational and systematic. It is bound to be sporadic and fragmented because of information gaps, conflict in goals, perverse human behaviour and the uncertain nature of the environment. Certain rules of thumb or heuristics are developed to facilitate the transition towards decisions. There are great possibilities for using computers to employ heuristics technique for solving major strategic problems

8.4.6. Guidelines for Effective Decision Making

One of the measures of effective management is the extent to which managers adopt effective decision making processes to make decisions. A decision making process and a decision is effective if it makes significant contribution to the achievement of managerial and organisational objectives at acceptable levels of costs and unsought consequences. Within this broad setting, we may identify the principles, guidelines or the ways and means of making the process effective, as follows:

1. Establishment of multiple decentralised centres of managerial decision making at appropriate organisational levels and delegation of adequate authority along with pinpointing of accountability for making decisions to managers at each centre.
2. Determination of appropriate decision-making work-load at each centre, so as to minimise the possibility of overloading at any centre.
3. Co-ordination of various decision making centres through communication and other means so as to ensure consistency and co-operation in making decisions
4. Establishment of expert advisory staff units to provide the needed intellectual and professional inputs for decision making.
5. Formulation and communication of organisational objectives, policies, decision rules and procedures to serve as guidelines to managers in their decision making function.
6. Design and installation of decision support systems which include information and control systems so as to provide logistic support to managers.

8.5 ORGANISING

As an important function of management, organizing is defined as the dividing and subdividing up of duties and responsibilities which are necessary to any purpose and arranging them in groups which are assigned to individual. In the words of Koontz and O'Donnel "organizing involves the establishment of an internal structure of roles through determination and enumeration of activities required to achieve the goals of an enterprise and each part of it; the grouping of these activities, the assignment of such groups of activities to manager, the delegation of authority to carry them out, and provision for coordination of authority and informational relationships horizontally and vertically, in the organisation structure".

George Terry defines organizing as "establishing the effective authority relationships among selected works, persons, and workplaces in order for the group to work together effectively".

Thus, organizing function consists of dividing work among groups and individuals (division of labour) and providing for the required coordination between individual and group activities. In the words of Louis Allen, "organizing'is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling the people to work most effectively together in accomplishing the objectives". In essence, organizing

is the managerial function that deals with the allotment of duties, co-ordination of tasks, delegation of authority, sharing of responsibility etc.

Orientation involves the introduction of new employees to the enterprise, its functional tasks and people. Large firms usually conduct a formal orientation programmed which are conducted usually by the HR Department Orientation acts as a function of organizational socialization serving three main purposes –

(i) Acquisition of work skills and abilities

(ii) Adoption of appropriate role behavior

(iii) Adjustment to the norms and values of the work group.

Placement, on the other hand may be defined as 'determination of the job to which an accepted candidate is to be assigned, and his assignment to that job'. A proper placement is instrumental in reducing employee turnover, absenteeism and boosts employee morale.

8.5.1. Process of Organising

As a function of management, i.e. as a process, organizing includes the following steps:

- identifying the work
- grouping the work
- establishing formal reporting relationships
- providing for measurement evaluation, and control
- delegation of authority and responsibility
- coordination,

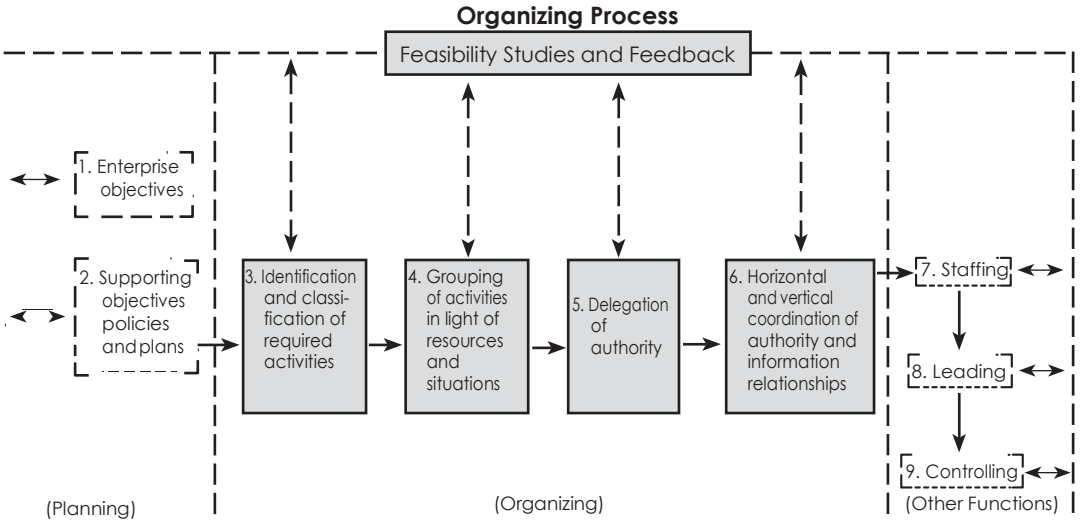


Fig. 8.3

(i) Identifying the work – The first step in the organizing process is to identify the work to be performed in the organisational unit i.e. enterprise. Every organisation is created deliberately to achieve some predetermined objectives. It is absolutely essential to identify the work to be performed to achieve the goals. Work must be divided and distributed because no one individual can perform the total work in an organisation single handed. Identification and classification of work enables managers to concentrate on important activities, avoiding the unnecessary duplications, overlapping and wastage of effort.

(i) **Grouping the work –** Dividing work is the essence of organizing function. After making the vision, similar activities shall be grouped together in order to provide for a smooth flow of work. Departments and divisions are created in an organisation based on the principle of similarity and relatedness of the activities performed. These departments or divisions are then managed under the direction of an individual called manager of the particular department. Depending on the size of the organisation, there could be several departments for every separate function. In small organisation, various departments may be grouped together and headed by only one or a few individuals.

(ii) **Establishing formal reporting relationships –** One of the steps in organizing function is to establish formal reporting relationships among individual members in the enterprise. After establishing these formal relationships it would be possible to know the details relating to the work. Establishment of formal reporting system should, pave way for assigning the duties and responsibilities to individual in an unambiguous fashion.

(iv) **Providing for measurement, evaluation and control –** Organising function involves providing the basis for measurement, evaluation and control of the activities. It should establish signposts and control points in the organisation so that the performance of individuals (and groups) can be measured evaluated, and controlled at periodical intervals. The purpose of such evaluation is to take necessary rectificational measures if there are serious deviations in the actual performance.

(v) **Delegating authority –** Authority is the right to act, and extract obedience from others. A manager may not be able to perform tasks without granting authority to him by the organisation. While assigning duties the manager should clearly specify authority and responsibility limits.

(vi) **Coordination –** Individuals and groups in an organisation carry out their specialized functions and this necessitates coordination. While performing the organizing function, the manager should see that all the activities are properly coordinated and there exists 'no conflicts. Both individuals and groups may come in conflict while performing their respective duties or functions in the organisation. While organizing the functions, the manager should see that no conflicts exist among various departments and that all the departments function as a coordinated, unified whole.

8.5.2. Delegation of Authority

Delegation of authority is "the process a manager follows in dividing the work assigned to him so that he performs that part which only he, because of his unique organisational placement, can perform effectively and so that he can get others to help with what remains."

Delegation has the following characteristics:

1. Delegation takes place when a superior grants some discretion to a subordinate. The subordinate must act within .the limits prescribed by the superior. He is not free to use authority arbitrarily but has to use it subject to the policies and rules of the organisation.
2. A manager cannot delegate the entire authority to his subordinates because if he delegates all his authority he passes his position to the subordinates.
3. Generally authority regarding routine decisions and for execution of policies is delegated to subordinates. A manager retains the authority to take policy decisions and to exercise control over the activities of subordinates.
4. The extent of authority which is delegated depends upon several factors, *e.g.*, the ability philosophy of management, the confidence of the superior in his subordinates, etc.
5. Delegation does not imply reduction in the authority of a manager. A superior retains authority even after delegation. Delegation does not mean a manager loses control and power. He can reduce, enhance or take back the delegated authority.
6. Delegation may be specific or general, written or implied, formal or informal.

   Delegation does not mean avoiding decisions or abandonment of work.

7. Delegation does not mean abdication of responsibility. No manager can escape from his obligation by delegating authority to subordinates. Therefore, he must provide a means of checking upon the work that is done for him to ensure that it is done as he desires.

8.5.3. Importance of Delegation

Delegation is the dynamics of management and the essence of sound organisation. The importance of delegation is due the following advantages that it provides:

1. It enables the managers to distribute their workload to others. By reducing the workload for routine matters, they can concentrate on more important policy matters.
2. Delegation facilitates quick decisions because the authority to make decisions lies near the point of action. Subordinates need not approach the boss every time need for a decision arises.
3. Delegation helps to improve the job satisfaction, motivation and morale of subordinates. It helps to satisfy their needs for recognition, responsibility and freedom.
4. By clearly defining the authority and responsibility of subordinates, a manager can maintain healthy relationships with them. Delegation increases interaction and understanding among managers and subordinates.
5. Delegation binds the formal organisation together. It establishes superior-subordinate relationships and provides a basis for efficient functioning of the organisation.
6. Delegation enables a manager to obtain the specialised knowledge and expertise of subordinates.
7. Delegation helps to ensure continuity in business because managers at lower levels are enabled to acquire valuable experience in decision making. They get an opportunity to develop their abilities and can fill higher positions in case of need. Thus, delegation is an aid to executive development. It also facilitates the expansion and diversification of business through a team of competent and contented workers. But for delegation firms would remain small.

8.5.4. Steps in the Process of Delegation

The process of delegation involves the following steps:

1. **Determination of results expected–** First of all, a manager has to define the results he wants to obtain from his subordinates for achievement of organisational objectives.
2. **Assignment of duties–** The manager then assigns specific duties or tasks to each subordinate. He must clearly define the function of each subordinate. While assigning duties and responsibilities, he must ensure that the subordinates understand and accept their duties. Duties should be assigned according to the qualifications, experience and aptitude of the subordinates.
3. **Granting of authority–** Assignment of duties is meaningless unless adequate authority is given to subordinates. They cannot discharge their responsibilities without adequate authority. Enough authority must be granted so that subordinates can perform their duties. By granting authority, subordinates are permitted to use resources, to take decisions and to exercise discretion.
4. **Creating accountability for performance–** The subordinates to whom authority is delegated must be made answerable for the proper performance of assigned duties and for the exercise of the delegated authority. The extent of accountability depends upon the extent of delegation of authority and responsibility. A person cannot be held answerable for the acts not assigned to him by his superior. An information and control system is established to check and evaluate performance of the subordinates to whom authority is delegated.

Thus, duty, authority and accountability are three fundamental components of delegation. All the three phases of delegation are interdependent. 'These three inevitable attributes of delegation are like a three-legged stool each depends on the others to support the whole and no two can stand alone."

8.5.5. Difficulties in Delegation

On the Part of Delegator (Non-delegation) – Managers are often reluctant to delegate adequate authority due to the following reasons:

1. Some managers may not delegate authority because of their lure for authority. They are autocrats and think that delegation will lead to reduction of their influence in the organisation. They want to make their presence felt and desire that subordinates should come frequently for approval. They like to dominate the whole show.
2. Some managers feel that none can do the job as well as they can do. They think that if they delegate, work will not be done as it ought to be done. They consider themselves indispensable and do not want to give other people's ideas ,a chance.
3. When a manager is incompetent his work methods and procedures are likely to be faulty. He keeps all the authority to himself for fear of being exposed. He is afraid that if he lets the subordinates make decisions they may outshine him. He is afraid of losing his importance.
4. Few managers are inclined to accept the risk of wrong decisions which the subordinates might take. Therefore, they do not delegate authority and take all the decisions themselves. They are unwilling to take calculated risk.
5. A manager may not delegate authority because his feels that his subordinates are not capable and reliable. He lacks confidence in his subordinates.
6. A manager is not likely to delegate authority when he cannot issue suitable directions to guide the activities of subordinates. Such lack of ability to direct shows that he is unfamiliar with the art of delegation.
7. Effective delegation requires adequate controls and a means of knowing the proper use of authority. A manager will hesitate to delegate authority if he has no means to ensure that the authority is being properly used by the subordinates.

On the Part of Subordinates (Non-acceptance of Delegation) – Subordinates may not like to accept delegation and shoulder responsibility due to the following reasons:

1. Subordinates may be reluctant to accept delegation when they lack self-confidence.
2. Some subordinates are unwilling to accept authority due to the desire to play safe by depending on the boss for all decisions. They have a love for spoon-feeding.
3. A subordinate who is afraid of committing mistakes and does not like to be criticised by the boss is likely to avoid delegation of authority.
4. When the subordinates are already overburdened with duties, they do not like additional responsibility through delegation.
5. Subordinates are likely to avoid delegation when adequate information, working facilities and resources are not available for proper discharge of duties.
6. Subordinates may not come forward to accept delegation of authority when no incentives are available to them.

8.5.6. Effective Delegation

Delegation of authority cannot be effective unless certain principles are followed in practice. While delegating authority, a manager should observe the following principles:

1. **Functional definition–** Before delegating authority a manager should define clearly the functions to be performed by subordinates. The objectives of each job, the activities involved in it and its relationship with other jobs should be defined.

2. **Delegation by results expected–** Authority should be delegated only after the results to be achieved by the subordinates are decided. This will enable them to know by what standards their performance will be judged.
3. **Parity of authority and responsibility–** There must be a proper balance between authority and responsibility of a subordinate. Responsibility without authority will make a subordinate ineffective as he cannot discharge his duties.

   Similarly, authority without responsibility will make the subordinate irresponsible. Therefore, authority and responsibility should be co-extensive.
4. **Absoluteness of responsibility–** Responsibility cannot be delegated. No manager can avoid his responsibility by delegating his authority to subordinates. After delegating authority he remains accountable for the activities of his subordinates. Similarly, the subordinates remain accountable to their superior for the performance of assigned duties.
5. **Unity of command–** At one time a subordinate should receive command and be accountable to only one superior. If a person reports to two superiors for the same job, confusion and conflict will arise. He may receive conflicting orders and his loyally will be divided. Therefore, dual subordination should be avoided.
6. **Well-defined limits of authority–** The limits of authority of each subordinate should be clearly defined. This will avoid overlapping of authority and will allow the subordinate to exercise initiative. He should refer those matters to the superior which are outside the limits of his authority.
7. **Authority level principle–** Managers at each level should make all decisions within their jurisdiction. They should avoid the temptation to refer to their superiors decisions which they are authorised to take themselves. Only matters outside the scope of authority should be referred to superiors.

8.5.7. Centralisation and Decentralisation of Authority

Centralisation and decentralisation are opposite terms. They refer to the location of decision- making authority in an organisation. Centralisation implies the concentration of authority at the top level of the organisation while decentralisation means dispersal of authority throughout the organisation. According to Allen, "Centralisation is systematic and consistent reservation of authority at central points within an organisation. Decentralisation applies to the systematic delegation of authority in an organisation wide context." Decentralisation refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points. It is the distribution of authority throughout organisation.

Centralisation and decentralisation are relative terms because every organisation structure contains both the features. There cannot be complete centralisation or decentralisation in practice. Absolute centralisation means each and every decision is to be taken by top management which is not practicable. Similarly, absolute decentralisation implies no control over the activities of subordinates which cannot be possible. Therefore, effective decentralisation requires a proper balance between dispersal of authority among lower levels and adequate control over them. Decentralisation should not be confused with dispersion of physical facilities and operations.

8.5.7.1. Distinction between Delegation and Decentralisation

Decentralisalion is much more than delegation. Delegation means transfer of authority from one individual to another. But decentralisation implies diffusion of authority throughout the organisation. The main points of distinction between delegation and decentralisation are presented as follows:

1. Delegation is the process of devolution of authority whereas decentralisation is the end result which is achieved when delegation is systematically repeated up to the lowest level.
2. Delegation can take place from one individual (superior) to another (subordinate) and -be a complete process. But decentralisation is completed only when the fullest possible delegation is made at all levels of organisation.

3. In delegation control rests entirely with the superior. But in decentralisation the top management exercises only overall control and delegates the authority for day today control to the departmental managers.
4. Delegation is a must for management as subordinates must be given sufficient authority to perform their duties. But decentralisation is optional in the sense that top management may or may not disperse authority.

Delegation is a technique of management used to get things done through others. However, decentralisation is both a philosophy of management and a technique.

8.5.7.2. Advantages of Decentralisation

The main benefits of decentralisation are as follows:

1. **Relief to top executives–** Decentralisation helps in reduction of the workload of top executives. They can devote greater time and attention to important policy matters by decentralising authority for routine operational decisions.
2. **Motivation of subordinates–** Decentralisation helps to improve the job satisfaction and morale of lower level managers by satisfying their needs for independence, participation and status. It also fosters team—spirit and group cohesiveness among the subordinates.
3. **Quick decisions–** Under decentralisation authority to make decisions is placed in the hands of those who are responsible for executing the decisions. As a result, more accurate and faster decisions can be taken as the subordinates are well aware of the realities of the situation. This avoids redtapism and delays.
4. **Growth and diversification–** Decentralisation facilitates the growth and diversification of the enterprise. Each product division is given sufficient autonomy for innovations and creativity. The top management can extend leadership over a giant enterprise. A sense of competition can be created among different divisions or departments.
5. **Executive development–** When authority is decentralised, subordinates get the opportunity of exercising their own judgement. They learn how to decide and develop managerial skills. As a result, the problem of succession is overcome and the continuity and growth of the organisation are ensured. There is better utilisation of lower-level executives.
6. **Effective communication–** Under decentralisation, the span of management is wider and there are fewer hierarchical levels of organisation. Therefore, communication system becomes more effective. Intimate relationships between superiors and subordinates can be developed.
7. **Efficient supervision and control–** Managers at lower levels have adequate authority to make changes in work assignments, to change production schedules, to recommend promotions and to take disciplinary actions. Therefore, more effective supervision can be exercised. Control can be made effective by evaluating the performance of each decentralised unit in the light of clear and predetermined standards. Decentralisation facilitates management by objectives and self-control.

8.5.7.3. Disadvantages of Decentralisation

Decentralisation suffers from the following limitations:

1. **Expensive–** Decentralisation increases the administrative expenses. Each division or department has to be self-sufficient in terms of physical facilities and trained personnel. There may be duplication of functions and underutilisation of facilities. Therefore, a decentralised set-up is better suited to large enterprises.
2. **Difficulty in co-ordination–** Under decentralisation, each department or division enjoys substantial autonomy. Therefore, coordination among the departments becomes more difficult.

3. **Lack of uniformity–** Decentralisation may lead to inconsistencies when uniform procedures are not followed by various departments. Each department may formulate its own policies and procedures.
4. **Narrow product lines–** Decentralisation requires that product lines should be broad enough to permit creation of autonomous units. Therefore, it is not suitable for small firms having narrow product lines. Similarly, decentralisation may not be possible when there is lack of competent managers at lower levels in the organisation.
5. **External constraints–** Decentralisation may not be possible due to external factors like market uncertainties, trade union movement, government intervention, etc.

8.5.7.4. Factors Determining Decentralisation

While deciding the degree of decentralisation in a particular organisation, the following factors should be taken into consideration :

1. **Size and complexity of the organisation–** In a large and complex organisation there is greater need for decentralisation. But in a relatively small and simple organisation, top management can make most of the decisions and creation of autonomous units may be a very costly scheme.
2. **Dispersal of operations–** When the production and sales of an enterprise are geographically scattered, centralised control becomes very difficult and there is greater pressure for decentralisation of authority. But if all the activities are located in one building centralised control is much easier.
3. **Degree of diversification–** In a company having several diverse product lines, decentralisation is not only necessary but beneficial. High degree of standardisation, on the other hand, results in centralisation.
4. **Availability of competent personnel–** It is advisable to decentralise authority only when managers at lower levels are able and experienced. Lack of trained executives will restrict decentralisation.
5. **Outlook of top management–** When the top executives believe in individual freedom, there will be a high degree of decentralisation. But if top management is conservative and prefer centralised control it is likely to centralise authority.
6. **Nature of functions–** Generally, basic functions like production and sales are more decentralised than staff functions such as personnel, finance, research and development.
7. **Communication system–** An effective communication system is required to co-ordinate and control the activities of operational units. In case communication system is ineffective, centralisation should be advocated. However, computerised management information system has enabled centralised decision-making.
8. **Planning and control procedures–** If the organisation has clear objectives and policies, superiors are more willing to allow subordinates to make decisions independently. Decentralisation can be successful when there is a sound system of control. Such a system would enable the top management to determine the effectiveness of decisions made by subordinates.
9. **Complexities of the situation–** Environmental factors exercise significant influence on the degree of decentralisation. For example, where business conditions are highly uncertain, high degree of freedom to operating units may endanger the very existence of the enterprise.

8.5.7.5. Purposes of Centralisation

1. **To facilitate personal leadership.** In the early stages of an enterprise and in small firms, the success depends largely on the personal leadership of a dynamic and talented leader. Authority may be centralised to give full scope to facilitate personal leadership which may result in quick decisions and imaginative action.

2. **To provide integration.** Co-ordination of individual efforts is essential to the success of every organisation. Centralised direction is an effective means of unification and integration of individual efforts. It acts as a binding force on the various units of the organisation.
3. **To achieve uniformity of action.** Where uniformity of policy and action is required, authority may be centralised at the top. Such uniformity is often desirable in personnel, purchasing and advertising. Therefore, authority in these tends to be centralised.
4. **To improve efficiency.** Centralisation helps to avoid overlapping efforts and duplication of work. It enables the management to exercise effective control in order to minimise waste and to achieve economy in operations.

8.5.7.6. Effective Decentralisation

Effective decentralisation requires fulfillment of the following conditions :

1. **Appropriate centralisation–** Decentralisation can be effective when there is a centralised authority for overall planning and control. The central authority ensures close coordination between various operating units. Without such a cementing force, the decentralised organisation may fall apart into pieces.
2. **Development of managers–** Effective decentralisation requires a large number of highly competent managers who are capable of working independently. In order to develop such executives, top management must delegate authority and allow the subordinates to learn through experience in making decisions.
3. **Open communication–** A sound communication system should be established to ensure continuous interaction between superiors and subordinates. Necessary feedback on operating results should be made available to superiors. Open communication system will enable managers to provide advice and guidance to subordinates.
4. **Coordination–** Decentralisation tends to create rivarly and cooperating divisions. Departmental managers compete for scarce resources. Effective coordination is essential to prevent such disintegrating tendencies. Interdepartmental coordination helps to prevent the danger of fragmentation. Committees, liaison officers and other mechanisms of coordination may be used to ensure coordination.
5. **Adequate controls–** Effective decentralisation needs an appropriate control system that will distribute the resources, lay down standards ol performance and exercise control to ensure that the various operating units are working in the desired direction.

8.5.8. Span of Management

Span of Management also known as span of control, span of supervision or span of authority represents the numerical limit of subordinates to be supervised and controlled by a single supervisor. It is an important principle of building a sound organization. The principle is based on the theory of relationships propounded by Graicunas – a French management consultant who analysed the superior – subordinate relationship based on a mathematical formula.

No. of direct relationships = n

No. of cross relationships = n (n-1)

No. of group relationships = n [2n – 1 -1]

Total No. of relationships = n [2n/2 + (n-1)]

Where n represents the number of subordinates.

The concept of span of management is central to the classical organization theory. Proper span of management is considered a necessity for effective supervision, co-ordination and control. It is therefore critical to determine the ideal span. If the span of control is narrow, there will be more organizational

levels which in turn may impede communication. If the span is widened, the supervisory load may become too heavy. Thus, sound organization structure required striking an optimum balance between organization levels, and supervisory work load.

8.5.9. Power and Authoriy

The term "power" is often considered as synonymous to authority. Really speaking, there is a difference between the two terms. Power refers to the ability or capacity to influence the behavior or attitudes of other individuals. A manager's power may be considered as his ability to cause subordinates to do what the manager wished them to do. Power is a broader concept than authority. Authority is derived from position whereas power may be derived from many sources like technical competence, seniority etc. a manager's power may be measured in terms of his ability to –

(a) Give rewards,

(b) Punish individuals,

(c) Withdraw rewards, etc.

Thus, reward, coercion, dominating personality, expertise, etc. are the main sources of power. Authority may be described as an institutionalized power since it is formally bestowed by the organization.

8.5.9.1 Concept of Authority

In management, authority may be defined, as the right to guide and direct the actions of others and to secure from them responses which are appropriate to the attainment of the goals of the organization. It is the right to utilize organizational resources and to make decisions. Authority is the right to decide and to direct others to perform certain duties in achieving organizational goals. It refers to the right to make decisions and to get the decisions carried out. It is the right to act. According to Barnard, "Authority is the character of communication (order) in a formal organization by virtue of which it is accepted by a contributor to, or member of the organization as generating the action he contributes, that is, as governing or determining what he does or is not to do so far as the organization is concerned. "In the words of Simon, "Authority may be defined as the power to take decisions which guide the actions of others." The main characteristics of authority are as follows :

1. The authority given to a position is legal and legitimate. It is supported by tradition, law or standards of authenticity. Authority is formal.
2. The authority (right) enjoyed by a position is not unlimited. The extent and limits of authority of a position are defined in advance. The position holder is expected to use his authority as per rules, regulations, policies and norms of the organization.
3. Authority is a relationship between two individuals – one superior and the other subordinate. The superior frames and transmits decisions with the expectation that the subordinates will accept them. The subordinate executes such decisions and his conduct is determined by them.
4. Authority is used to achieve organizational goals. The basic purpose behind the use of authority is to influence the behavior of the subordinates in terms of doing right things at right time so that organizational objectives are achieved. A person with authority influences the behavior of others that might otherwise not take place.
5. Actions and behaviours of his subordinates. It provides the basis for getting things done. Authority is also the means of coordination is an organization. Lines of authority serve to link and integrate the various parts of the organization to achieve common goals.
6. Authority gives right of decision-making because a manager can give orders only when he decides what his subordinates should or should not do. In the words of Terry, "Authority is exercised by making decisions and seeing that they are carried out."
7. Authority in itself is an objective thing but its existence is always subjective. Its exercise depends upon the personality factors of the manager who can use it and on the subordinates with whom it is to be exercised.

8.5.9.2 Concept of Power

Power, like authority, is a means of exercising influence on the behavior of people. But power is stronger than influence. Influence is a psychological force while power is a personal force that enables a person to change the behavior of others. Authority is the means to exert influence.

Power is an important means to enforce obedience to the rules, regulations and decisions of the organization. Power may be derived on personal or institutional bases. The use of power may affect the behavior of people in the desired manner. However, it does not necessarily imply that the people are in agreement with the exercise of power that a person is dependent upon another, he or she is subject to the other person's power.

There are several bases or sources of power. John French and Bertram Raven have identified five bases of sources of power.

1. **Reward power:** The ability to grant or withhold rewards is a key source of power. Rewards may be financial, social or psychological. Financial rewards include salaries, wages, fringe benefits, etc. support, praise, recognition, status, etc., are non-financial rewards. Persons seeking rewards are dependent on the individual who is in a position to offer the reward. He offers rewards in exchange of some behavioural act like effort, performance, obedience, loyalty and so on. Those who refuse to carry out his orders are denied rewards. A person may be in a position to offer rewards by virtue of being a manager, a leader or a relatively wealthy person.
2. **Coercive power:** This is the ability to punish others for not carrying out orders or for not meeting certain requirements. The person who is in a position to coerce others forces or compels them to do or not to do something. The person who feels coerced complies for fear of punishment. For example, management may force workers to call off the strike by giving an ultimatum that otherwise they will be suspended. Coercive power is the opposite of reward power. Coercion may be direct or indirect, physical or psychological.
3. **Expert power:** A person having expertise or specialized knowledge or information has power over those who seek his expertise. For example, a teacher has expert power over students, a chartered accountant over his clients and a doctor over his patients.
4. **Referent power:** This is based on the personality attributes or personal virtues of a person. Such a person has a charisma which attracts people towards him. For example, Mahatma Gandhi became powerful and had a huge following due to his charisma. Reference as a source of power is a group or an institutional situation. The goals, values, work patterns, etc., of a group become frames of reference for some persons and they look to the group for inspiration and guidance. The group thereby commands power and any 'manager of such a group acquires power by virtue of his association with the group.
5. **Legitimate power:** This is derived from the formal position of a person in the organization. Formal legitimate power is called authority and it is vested on the individual.

8.5.9.3 Authority and Power – A Comparison

Authority	Power
1. Right to do something.	1. Ability to do something.
2. Derived from organizational position	2. Derived from many sources personal, institutional.
3. Always flow downward can be	3. Flows in all directions-cannot be delegated.
4. Legitimate – resides in the position.	4. May be illegitimate or extra constitutional.
5. Narrow term – one source or subset of power.	5. Broad concept – can achieve results when authority fails
6. Visible from organizational chart. It is institutional power.	6. Not visible from organizational chart.

8.5.9.4 Concept of Responsibility

The term responsibility is used in management literature in two different senses. Some writers have defined it as duty or task assigned to a subordinate by virtue of his position in the organization. According to M.E. Hurley, "Responsibility is the duty to which a person is bound by reason of his status or task. Such responsibility implies compliance with directives of the person making the initial delegation."

In a more comprehensive sense responsibility may be defined as the obligation of an individual to perform the duty assigned to him. According to Koontz and O'Donnell, "Responsibility may be defined as the obligation of a subordinate, to whom duty has been assigned to perform the duty." Responsibility is an obligation to perform certain functions and to achieve certain results. According to R. C. Davis, "Responsibility is the obligation of an individual to perform assigned duties to the best of his ability under the direction of his executive leader."

The main characteristics of responsibility are as follows :

1. Responsibility can be assigned to human beings only. Non-living objects such as a machine cannot be assigned responsibility.
2. Responsibility arises from a superior-subordinate relationship. By virtue of his superior position, a manager has the authority to get the required work done from his subordinates. Therefore, he assigns duties to subordinates who are bound by the service contract to perform the assigned duties.
3. Responsibility may be a continuing obligation or confined to the performance of a single function. For example, a sales person has continuing obligation to the sales manager. On the other hand, the responsibility of a management consultant to a company comes to an end as soon as the consultancy assignment is completed.
4. Responsibility may be defined in terms of functions or targets or goals. For example, the responsibility of labour officer is in the terms of a function. On the contrary, the responsibility of a worker who is assigned the job of producing 50 units daily is in terms of targets. As far as possible responsibility should be expressed in terms of targets. This will enable the subordinates to know by what standards their performance will be evaluated.
5. The essence of responsibility is obligation of a subordinate to perform the duty assigned to him.
6. Responsibility is a derivative of authority. When a subordinate is delegated authority he becomes responsible to his superior for the performance of assigned task and for proper use of delegated authority. Therefore, responsibility should be commensurate with authority.
7. Responsibility is absolute and cannot be delegated. A subordinate may himself perform the duty assigned to him or he may get it done from his own subordinate. But he remains responsible to his own superior in both the cases. According to R.C. Davis. "Responsibility operates somewhat like the table of the magic pitcher in which the water level always remains the same, no matter how much water is poured out."
8. Responsibility flows upward. A subordinate is always responsible to his superior.
9. The person who accepts responsibility is accountable for his performance. Accountability arises out of responsibility and the two go together.

Management can use various techniques to define responsibilities so as to actively involve members of an organization in its coordination effort. Two such techniques are: (1) responsibility charting, and (2) role negotiation. Moreover, new organizational positions may be created and line and staff conflict resolved by enhancing the degree of coordination.

1. **Responsibility Charting –** A responsibility chart is a nice way of summarizing the relationship between tasks and actors (performers). The chart lists activities that are complicated or the decisions that must be made and the individuals who are responsible for each of them. On the vertical axis we show the tasks and on the horizontal axis we show the actors.

The following four roles are important :

1. The individual is responsible for the activity (decision).
2. The individual must approve the activity or decision.
3. The individual must be consulted before completing the activity or making the decision.
4. The individual has to be informed about the activity or the decision.

2. **Role Negotiation –** Role negotiation is an important technique that can supplement the use of responsibility charting. If used properly, it can lead to clear definitions of tasks and the responsibilities associated with them.

The basic promise of the technique is that nobody gets anything without promising something in exchange. Organizational members meet at periodic intervals to list rededication of tasks so that coordination can be maximized. The primary objective of this approach is to identify the independent clusters of tasks completed by the organization. The second objective is to match the personal needs and work preference of individuals with the tasks that must be completed.

8.5.9.5 Authority, Responsibility and Accountability

Authority– This is the power to assign duties to subordinates and to ensure that they are carried out, and involves the acceptance of accountability for the proper exercise of this authority. The precise extent of the authority must be clearly defined to the holder and he/she must act only within those limits. Authority, unlike responsibility, can be delegated, and flows downwards through the organization structure. At all times authority must be commensurate with the accountability imposed, and all subordinate staff subject to the authority must be made aware of it and of its extent.

H. Fayol regarded authority as 'the right to give orders and the power to exact obedience'. H.A.Simon regarded it as 'the power to make decisions which guide the actions of another'.

It is obvious that authority over people can be effective only when they accept it. Many instructions are obeyed because of custom, but acceptance of authority may in some cases, be ensured only by resorting to the use of power. Authority is not power. Power is the product of personality in a specific situation.

Authority can be regarded as the right or power to delegate responsibility and it emanates in a company from the shareholders to the board of directors, and down the scalar chain.

Responsibility – In the context of organization this term can be considered to be the same as accountability. It is the obligation to make sure that authority is properly used and that duties are properly carried out. It carries with it the prerogative to delegate authority and duties, but does not carry the right to avoid accountability. In this sense, responsibility flows from the bottom of the organizational structure to the top since each supervisor or manager is accountable to his immediate superior for the proper use of his authority and the proper performance of those duties, whether done personally or not, for which he is responsible. In this way the chief executive carries the full and ultimate responsibility for the effective functioning of the organization.

In short, responsibility and obligation are given to use authority to see duties are performed. It is an obligation to perform owed to a person's superior.

Accountability – is the liability created for the use of authority. It is the answerability for performance of the assigned duties. Accountability is concerned with the fact that each person who is given authority and responsibility must recognize that the executive above him or her will judge the quality of his/her performance.

By accepting authority, a person denotes the acceptance of responsibility and accountability. The person who is delegating authority requires subordinates to allow their performance to be reviewed and evaluated and holds them accountable for result.

8.6 STAFFING

Staffing is defined as the process of obtaining and maintaining the capable and competent people to fill all positions from top to operative level. In the words of Dalton .McFarland staffing is the function by which managers build an organisation through the recruitment, selection, development of individuals as capable employees. According to Koontz and O'Donnel staffing is the executive function which involves recruitment, selection. compensating, training, promotion, retirement of subordinate managers. Weirich define staffing as "filling and keeping filled, positions in the organization structure". Thus, staffing is concerned with the placement, growth and development of all those members of the organisation whose function is to get things done through the efforts of other individuals.

8.6.1. Importance of Staffing

Undoubtedly, staffing is a vital function of management more importantly because:

- It facilitates discovery of competent and qualified people to take up various positions the organisation;
- It enhances productivity by placing right people on the right jobs;
- It helps in estimating the staffing requirements of the organisation in future (through manpower planning);
- It prepares the personnel to occupy the top positions within the organisation;
- It helps development of people through the programmes of training and development;
- It helps the organisation to make the best use of existing workforce;
- It ensures adequate and equitable remuneration of workforce.
- It results in high employee morale and job satisfaction by placing the right people on right jobs;
- It makes the top management aware of the requirements of manpower arising from transfer, promotion, turnover, retirement, death etc. of the present employees.

  When the staffing function is performed effectively, the above payoffs would accrue to the organisation.

8.6.2. Staffing Process

Staffing process is concerned with providing the organisation with the right number of people at the right place, and at the right time so that the organisation would be able to achieve its goals effectively. Just one wrong decision in the process would prove to be costly to the entire enterprise. A wrong placement in the organisation would adversely affect the productivity of the organisation as a whole. Staffing process involves the following steps.

(i) **Manpower Planning –** Also known as human resource planning, the manpower planning is "a process of determining and assuring that the organisation will have an adequate number of qualified persons, available at the proper times, performing jobs which meet the needs of the entire enterprise and which provide satisfaction for the individuals involved" (Dale S. Beach) .

Manpower planning consists of the following steps :-

(a) Determination of the organisational objectives;

(b) Determination of the skills and expertise required to achieve the organisational objectives;

(c) Estimating the additional human resource requirements in the light of the organisation's current human resources;

(d) Development of action plans to meet the anticipated human resource needs.

The main points in human resource planning are: current assessment, future assessment of the human resource needs and the development of future programme as well as career development.

(i) **Recruitment –** Recruitment involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be selected. Development and maintenance of adequate manpower resources is the main task of recruitment. According to Dale Yoder, recruitment is "the process of discovering the sources of manpower to meet the requirements of staffing schedule and to employ effective measures for attracting the manpower in adequate numbers to facilitate effective selection of an efficient working force".

(ii) **Selection –** It is probably the most critical step in the staffing process as it involves choosing candidates who best meet the qualifications and requirements of the job.

(iv) **Training –** It is the process of increasing the knowledge and skills of an employee for doing a particular job. the objective of training is to achieve a change in the behaviour of those trained.

(v) **Placement & Induction –** Placement refers to assigning rank and responsibility to an individual, identifying him with a particular job. If the person adjusts to the job and continues to perform per expectations, it means that the candidate is properly placed. However, if the candidate is seen to have problems in adjusting himself to the job, the supervisor must find out whether the person is properly placed as per the latter's aptitude and potential.

Induction refers to the introduction of a person to the job and the organisation. The purpose is to make the employee feel at home and develop a sense of pride in the organisation and commitment to the job.

The induction process is also envisaged to indoctrinate, orient, acclimatise, acculture the person to the job and the organisation.

Proper induction would enable the employee to get off to a good start and to develop his overall effectiveness on the job and enhance his potential.

8.6.3. Sources of Recruitment

The important sources of recruitment are internal and external sources.

(A) Internal Sources– The internal sources include the employees on the payroll. People from within are generally upgraded whenever any vacancy arises. By reviewing the personnel records and skills the manager would be in a position to know the suitable candidates for the vacant position. Transfers, promotions of present employees are the basic internal sources of recruitment. Further, inside moonlighting and employee's friends and relatives are also given a chance to serve the organisation, if any new vacancy arises. The internal sources of recruitment have the following merits:

- Recruitment from within encourages the employees to work efficiently to reach top positions;
- The organisations would be able to choose the right people for the vacant positions on the basis of the track records of the employees;
- Employees need little training as they know the major operations and functions of the organisation;
- The expenditure is relatively less when compared to external sources of recruitment;
- Internal recruitment improves the morale of the employees as they are sure that they would be preferred over the outsiders for higher positions.

The internal sources of recruitment have the following limitations :

- In the long run it is not a healthy sign for the organisation to rely on the existing employees. It discourages new blood from entering into the organisation. The organisation may be deprived of young talent that flows into the industry.

- The internal sources of recruitment promote psychophancy and favouritism. Workers may be recruited not because of their suitability for the jobs but because they may maintain good relations with the top management.
- The skills of existing employees may become obsolete and the organisation may have to resort the external recruitment inevitably.
- One universally accepted disadvantage of internal recruitment is the Peter Principle which states that people are promoted until they finally reach to the level of incompetence.

(B) External Sources – Normally recruitment from external sources would be done when either the existing employees are inadequate to occupy the vacant positions or they are not properly qualified and skilled enough to occupy the positions, or they are unfit (either by virtue of their age or specialisation. The important external sources of recruitment include —

- **Employment exchanges –** Employment exchanges run by government are regarded as a potential source of recruitment especially for unskilled, semiskilled and skilled operative jobs.
- **Advertisement –** Advertisement in newspapers or trade and professional journals is another popular source of recruitment. Specially for the senior positions to lower-middle level positions.
- **Educational Institutions –** Recruitment through educational institutions is also known as campus recruitment.
- **Employee walk-ins –** It is commonly found that some people send unsolicited applications to the organisations enjoying goodwill and reputation. Organisation, if they find necessary, can consider these applicants for the suitable positions.
- **Employee referrals –** Some organisations prefer using employees as the source of recruitment. They maintain informal system of recruitment where word-of-mouth would do when compared to formal system of organisation.
- **Miscellaneous –** Among other methods of recruitment, 'gate hiring' is the most popular one in which people are hired at the factory gate itself.

The external sources of recruitment offer the following advantages:

(i) Organisations can choose from wider spectrum under the external source of recruitment. The number of applicants would be very large and the organisation can choose the better candidates carefully after weighing the pros and cons of all the candidates.

(ii) Organisations can avoid bias to some personnel by following the external sources of recruitment objectively. Here, there is no scope for subjective judgment and selection of the candidates.

Some of the limitations of the external sources of recruitment include:

(i) Personnel chosen from external sources may cause dissatisfaction among the existing employees. It would be demoralizing to the existing employees when they come to know that organisations are considering the outsiders for filling up the top positions.

(ii) External sources of recruitment is quite costly to the enterprise. Firms have to spend heavily on advertisements and sometimes the response from the potential candidates may be dismal and disappointing. It is customary to pay (to and fro) the expenses of the candidates for attending interviews and a substantial part of it is a mere waste of resources.

8.6.4. Selection

Perhaps the most crucial stage in staffing process is the selection. Selection is very crucial because any errors in selection may prove to be costly to the organisation itself. This explains the reason why selection has occupied a place of prominence in the management literature.

Selection is a process of rejection and hence it is called a negative process. It divides the people into two categories viz. those who would be selected and those who would be rejected. A manager should exercise special skill in selecting the candidates.

The process of selecting the candidates for employment in organisations is a long-process. It consists of the following steps:

- **Application blank –** Every candidate is required to fill up a blank application which provides a written record of the candidate's qualifications, etc. It is a traditional widely accepted device for eliciting information from the prospective applicants to enable the management to make proper selection of the candidates. An application blank is a personal history questionnaire.
- **Preliminary interview –** To eliminate the unsuitable candidates in the very beginning preliminary interviews of brief duration are conducted. A majority of the applicants would be rejected in this stage. If the applicant is eliminated at this very stage, organisation would be saving from the expenses of processing the candidate further. Even the unsuitable candidate would save himself from the trouble of passing through the long selection procedure.
- **Employment tests –** To match the individual's mental and physical characteristics with the job appropriately, employment tests are essential. Here, intelligent tests, aptitude tests, proficiency tests, personality tests, and tests of interests and hobbies etc. are included. These days psychological tests occupies the place of prominence in these employment tests.
- **Final Interviews –** An evaluation interview is perhaps the most crucial step in the selection process. A careful assessment of the candidate is made in the personal interview with the candidate. The purpose of conducting the employment interviews is to assess the candidate's strengths and weaknesses for the position. Apart from finding out the suitability of the candidate, the face- to-face interview also provides an opportunity to the interviewer to know more about the candidate. At the same time, the candidate would also be in a position to know about the terms and conditions of his employment, organisational policies and the employer-employee relations etc.
- **Background Investigation –** Normally, in every curriculum, vitae (bio-data) the candidate is asked to mention the name of references. A referee is potentiality an important source of information about the stability, integrity, and personality of the candidate. Before a candidate is finally selected, organisations prefer to contact the references or dig up into the candidate's past history, past employment, financial condition, police record, personal reputation etc. which will be helpful in verifying the candidature of the person.
- **Medical examination –** The pre-employment physical examination in terms of medical test of a candidate is an important step in the selection process. This examination isolates the medically unfit people from the rest.
- **Final selection and placement –** If a candidate has cleared all minor hurdles in the selection procedure he is formally appointed and letter appointment is given to that effect. In the letter of appointment will be stated the terms and conditions of employment (such as pay scale, period of probation, starting salary, allowance and other perquisites, etc.)

8.6.5. Training and development

One of the important managerial activities in modern organisation is the training and development programmes. It is common that organisation first recruits and select the employees and provide them some of training to increase their versatility, knowledge, adaptability skills so that the jobs they perform becomes appreciable. Training is the systematic acquisition of knowledge, skills, rules, and attitudes that have specific or narrow applicability to a limited set of situations in a specific job environment Training constitutes significant part of organisation's investment in human resources.

Edwin Flippo contends that 'training is an act of increasing the knowledge and skill of an employee for doing a particular job' :

Every training programme is aimed at fulfilling the following purposes.

- to increase the productivity of workforce;
- to improve the quality lot products being manufactured;
- to help an organisation to fulfil its future personnel needs;
- to improve the health of workers;
- to promote the safety of workers on the job;
- to prevent the obsolescence of employees at work;
- to maintain personal growth of employees in the enterprise;
- to improve overall organisational climate.

According to O. Jeff Harris "Training of any kind should have as its objective the redirection or improvement of behaviour so that the performance of the trainee becomes more useful and production for himself and for the organisation of which he is a part. Training normally concentrates on the improvement of either operative skills interpersonal skills, and decision making skills, or a combination of all these skills". Operative skills are required for the successful completion of a given task. Interpersonal skills are related to the maintenance ol successful relationship between peers and subordinates. Finally, decision-making skills are related to the problem identification and prescribing an appropriate solution.

8.6.6. Methods of Training

There are several methods of training. One important point to note here is that these methods of training are not competitive, rather they are complementary. Some of the most commonly used methods of training are —

- On-the-job training
- Off-the-job training

(A) On-the-job Training – Actually, training begins the first day when an employee starts his job. Every employee learns a lot on the job. On -the -job training is normally given by the superior or supervisor. One notable feature is that there is no artificial location. Everything is a reality. The methods employed to make the on-the-job training are as under:

- coaching
- apprenticeship training
- job rotation
- vestibule training
- self-improvement programmes

Merits of on-the-job training – Some of the payoffs of on-the-job training are listed as under :-

- One of the biggest advantages of on-the-job training is that trainee learns on actual working environment rather than on artificial environment.
- The trainee observes the rules, regulations, and systems being followed in day-today organisational life.
- Additional personnel are not required for training the employees when on-the-job method of training is used. Therefore, there is an advantage of economy by using this method.

Demerits of on-the-job training – On-the-job training suffers from the following demerits :-

- The trainee may learn in a haphazard manner. Since there is no direction under which the trainee learns while performing job, there would be disorganized learning on the part of the trainee.

- Sometimes, inexperienced handling of machines and tools by the trainees may result in colossal losses to the organisation. For example, if an employee is asked to work on an 'Apple' computer, just by giving a few directions to operate the computer, it is quite likely that the machine would go out of order within no time. This would be costly to the enterprise as such.
- The productivity of employees who is undergoing training on-the-job would be dismal and disappointing. Further it affects the flow of work when the production undergoes different processes.
- Sometimes it becomes very difficult for the trainee to work as well as learn. In spite of these limitations, on-the-job training is considered suitable to supervisors, operatives, and lower-level executives.

(B) Off-the-job training – As the name itself indicates, off-the-job training refers to training conducted away from the actual work setting. Some of the popular methods of off-the-job training are :

- Lectures and classroom instruction
- The conference method
- Group discussions
- Role playing
- Case studies
- T-group training (or sensitivity training)

Merits of Off-the-Job Training

1. This type of training gets employees away from their work environment to a place where their frustrations and bustle of work are eliminated. This more relaxed environment can help employees to absorb more information as they feel less under pressure to perform.
2. Can be a source to supply the latest information, current trends, skills and techniques for example current employment legislation or other company law and regulations, current computer software or computerised technologies or improved/innovative administrative procedures. These new skills can be brought back and utilised within the company.
3. Experts in their field would cover these courses, and this would mean that training for staff members - would be taught to a reasonable standard.
4. As the courses are held externally, our company would not have added costs incurred as a result of extra equipment or additional space.
5. Sending an employee on a course could help to make an employee feel more valued as they would feel as if they are receiving quality training.
6. As many courses or seminars invite employees form other companies to attend, this would allow employees to network and perhaps drum-up business.

Demerits of Off-the-Job Training

I. Depending on the course, the overall cost could prove quite expensive for example; many courses may require an overnight stay at a hotel if the course is outside the area or the course itself may prove to be expensive due to the level of expertise or equipment need to deliver the course.

2. As there is no real way to know the abilities both as a trainer and their subject knowledge of the people delivering the external training courses, there is no guarantee that sufficient skills of knowledge will be transfers or valuable.

3. The different learning speeds of individuals who are usually forced to progress *at* a compromise rate.

4. Not all the learners will be starting at the same knowledge or skill level and there is a risk that those starting at the lowest levels, if account is not taken of this, will be lost from the start.

8.6.7. Placement, Orientation and Induction

After a candidate is selected for a particular job in an organisation what needs to be done in staffing process is to induct him in his new job. Placement and induction represents the last stage in the staffing process. Orientation involves the introduction of new employees to the enterprise, its functional tasks and people. Large firms usually conduct a formal orientation programme which are conducted usually by the HR Department. Orientation acts as a function of organizational socialization serving three main purposes : (i) acquisition of work skills and obilities, (ii) adoption of appropriate role behavior (iii) adjustment to the norms and values of the work group. Placement, on the other hand may be defined as 'determination of the job to which an accepted candidate is to be assigned, and his assignment to that job. A proper placement is instrumental in reducing employee turnover, absenteeism and boosts employee morale. Here, the selected candidate is given a copy of the policies, procedures and rules and regulations of the enterprise in question. The candidate will be given a complete and unambiguous description of the nature of job assigned to him, to whom he is accountable, who are accountable to him etc. Thus, the employee will come to know the exact authority-responsibility-accountability relationships.

8.7 DIRECTING

Another important function of management is directing. It is that managerial function which imitates organized action. Directing involves issuing orders to subordinates and supervise how these orders are carried out by them, and if necessary, motivate the employees for higher performance and hence to the accomplishment of the organisational objectives effectively.

According to Joseph Massie "directing concerns the total manner is which a manager influences the actions of subordinates. It is the final action of a manager in getting orders to act after all preparations have been completed."

In the words of Theo Haimann, directing consists of "the processes and techniques utilized in issuing instructions and making certain that operations are carried on as originally as planned". According to Keith Davis, direction is a complex function that includes all those activities which are designed to encourage subordinates to work effectively and efficiently in both the short and long run. Directing is just telling people what to do and seeing that they do it to the best of their ability. Direction is also known as activating (as contended by Charles E.Redfield from Chicago University) and deals with the steps a manager takes to get subordinates and others to carry out plans.

8.7.1. Importance of 'Directing' as a Function of Management

Direction is an indispensable managerial function because it deals with human resources. Most importantly it deals with human relations and suggest ways of improving the performance by the employees in an enterprise., Direction is aimed at maintaining harmony among employees and groups in an organisation. It is the process around which all other management functions revolve. Direction is a kin to 'nucleus' of an organisation. The individual goals and organisational objectives are integrated only through directing function. This integration is achieved through the elements of direction viz communication, motivation, leadership, and supervision.

Principles of direction: Frederick Winslow Taylor contends that effective direction depends on certain principles. Mary Parker Follett pointed out that the following fundamentals govern the principles of direction viz.,

- a good amount of training and education within the organisation to shape the attitude of the employees; minimum possible distance between the origin and destination of the order;

- reconciliation of conflicting attitude for reluctant compliance with directions; and
- depersonalised orders to obey the boss of the situation.

The principles of direction can be summed up as under :—

(i) **Harmony of objectives–** One very important principle of direction is to harmonise the objectives or goals of individuals with that of the enterprise. A manager should foster the sense of belonging to the organisation among individuals and groups and see that the members identify themselves with the organisation. Goal incongruence may lead to ineffectiveness and inefficiency.

(ii) **Unity of command–** Another sound principle of direction is that the subordinates should receive orders from one and only one superior or boss. Presence of dual subordination inevitably brings chaos and disorder. For achieving efficiency, unity of direction should be strictly followed.

(iii) **Direct Supervision–** When manager is directly involved in supervising the employees i.e. when he comes into personal contact with the employees, especially in the work- related areas, a sense of belonging gets developed in the minds of employees and this paves way for escalated morale and making sub-ordinate happy. Direct supervision also ensures quick feedback of necessary information, the manager would get first hand information from the employees through face-to-face communication.

(iv) **Appropriate leadership style–** Leadership is a process of influencing the employees in the work environment. A manager should exhibit appropriate leadership style to direct the employees to achieve the organisational goals effectively. Leadership style is a function, of characteristics of leader, characteristics of subordinates, and the situation.

(v) **Use of motivational techniques–** One of the principles of effective direction states that the manager should employ some motivational techniques such as pay, status, job enrichment, etc. so that the productivity and the quality of the commodity (or service) produced by the employee increases. Motivation leads to higher job satisfaction.

(vi) **Follow up–** The last, but not least important, principle of direction is 'follow-up' because without such a follow up, it is quite likely that the subordinates just receive orders and do not follow them at all.

8.8 SUPERVISION

Supervision means overseeing the subordinates at work. All managers, at whatever level, perform a supervisory function. However, at the top level of an organisation the proportion of direct supervision in each position becomes smaller and smaller than at the lower levels. This explains the reason why it is described that supervision is concerned with the first-line foremen level only. While supervising, a manager draws his attention to the day-to-day work of employees and the inter relationship among them and the groups in the organisation. Of all, the first-line supervisors play a crucial role in controlling the blue-collar workforce in the enterprise. A supervisor is an effective link between workers and management. A supervisor is directly responsible for getting the work done by the blue-collar workers and hence he becomes careful in discharging his function of issuing orders, instructions, laying down methods and procedures and guiding the people under him sincerely. Thus supervision primarily consists of instructing, guiding and inspiring human beings towards better performance which in a sense amounts to effective directing.

8.8.1. Role of Supervisor

If the supervisory force does not function effectively, organisation cannot survive for long. A supervisor, according to Fred Luthans and Mortinko, performs three kinds of roles viz scientific management roles, human relations roles, and functional roles.

(a) **Scientific Management Roles–** These roles include the role of a technician, analyst and controller. First of all, in order to supervise, he must be fully equipped with enough technical knowledge of the machines being operated by the workers. Secondly, the supervisor should be an analyst or researcher. Thirdly, the supervisor should be a controller.

(b) **Human relations roles–** According to human relations school of management, the supervisor should be sensitive to the needs and desires of employees for effective integration of individual goals with the organisational objectives.

(c) **Functional roles–** The functional roles of a supervisor include planning, organising, leading and controlling. He carries out the important managerial functions at the operational level.

8.8.2. Functions of Supervisor

Supervisors are line executives with command authority. Specifically, every manager, in the capacity of supervisor, are entrusted with the following functions:

- **Communicating the orders–** The first duty of every supervisor is to communicate the orders to subordinates. In the absence of specific instructions or orders, else confusion results, and work gets hampered. The orders should be simple, complete and in a language easily understandable to the subordinates.
- **Introduction of new methods of performing work–** Every supervisor should examine the existing methods of work and try his level best to improve the methods of performing work in order to increase the productivity per worker. He should keep himself abreast of the latest techniques of production and make the workers aware of such techniques.
- **Make the work interesting–** A supervisor should make the work interesting, instead of dull and boring. A subordinate would feel like working only when he is comfortable at work. This is possible only when the worker is placed on the job in which he is interested, qualified, and best suited to work. A supervisor should see whether employees are deriving job satisfaction.
- **Selecting the workers–** In small and medium sized organisations, supervisor plays a crucial role in selecting the workers. A supervisor should outline the job specification, and job description so that, right people are selected for right places and at right time.
- **Induction of new employees–** By induction, a supervisor will be able to brief the new employee regarding his immediate and ultimate supervisors (or superiors), products being manufactured by the enterprise, overall responsibilities of the section/department to which the new employee will be sent for placement, working hours including the lunch and tea breaks, his duties and responsibilities, remuneration package including the particulars of bonus and hours of work, particulars about the provident fund scheme or pension scheme etc., physical working environment and public facilities, leave rules and details etc.
- **Training the employees–** Any training programme will be incomplete if the supervisor is not included as a trainee, A supervisor should make the training programme a success by making it interesting to the employees. He should inspect workers' performance during the training period and suggest ways to improve it.
- **Handling grievances–** Grievance handling and redressal itself is a complicated procedure no doubt, but the supervisor should attend to them at the grass root level, if possible. He should be able to distinguish between the genuine grievances and silly complaints. A supervisor should handle the grievances with care and do everything possible to remove the causes of grievances.
- **Enforcing discipline–** One of the indispensable duties of a supervisor is to maintain discipline among the employees in the organisation. The supervisor should analyse the cause of indiscipline and try to remove them, if possible. If necessary, he can bring the causes of indiscipline to top management for appropriate action.

- **Effective communication–** A supervisor should have good communicative skills. A supervisor should see that the channels of communication are effective. The flow of communication should be smooth, quick and uninterrupted. A supervisor should see that the message transmitted is received in terms of the meaning i.e. without any distortion.
- **Enforcing safety–** A supervisor is generally concerned with blue-collar workers and hence should show great concern to the employees' safety. He should make the workers safety-conscious. This is possible by making them aware of the problems of non following safety precautions, providing them safety training. Organisations should educate the workers to follow safety rules.

8.9 COMMUNICATION

The term communication is derived from the Latin word 'communis' which means "common". The word communication stands-for the sharing of ideas in common. Communication of ideas establishes a common ground for understanding the people in organisations. Communication is vital to all managerial actions. Communication is the artery of an organisation through which the decisions and instructions of the management flow down to the lowest levels. It also conducts upward the pulse of workforce in organisations. Communication is a process of passing information and understanding from one person to another.

According to Dalton McFarland "communication is the process of meaningful interaction among human beings. More specifically, it is the process by which meanings are perceived and understandings are reached among human beings".

Herbert A. Simon contends that communication is the "process whereby decisional premises are transmitted from one member of an organisation to another".

In the words of Newman and Summer, "Communication is an exchange of facts, ideas, opinions or emotions by two or more persons.

Louis A. Allen, a well-known management expert, defines communication as the "sum of all the things one person does when he wants to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding". Simply, communication is the act of making one's ideas and opinions known to others.

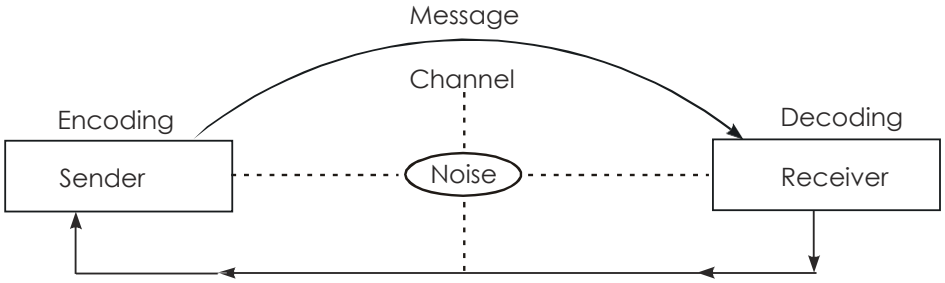
8.9.1. Importance of Communication

Communication is very important because it is a process by which the managerial functions of planning, organising, directing and controlling are accomplished. Without formal system of communication it is not possible for an organisation to exist. Secondly, communication is an activity to which the manager devotes an overwhelming proportion of his precious time. The importance of communication in organisations is summed up by Keith Davis in the following words: "Just as a man gets arteriosclerosis, a hardening of the arteries which impairs his efficiency, so an may organisation get infosclerosis, a hardening of the communication arteries, which produces similar impaired efficiency". Communication is important because;

- In organisations, communication ties people and structure together.
- Communication is a bridge of meaning between two or more people.
- Communication involves understanding and acceptance of ideas to act in it.
- Effective communication is a substance of good management; communication is not a substitute for good management.

8.9.2. The Communication Process

The basic elements in the communication process are :



1. **The Communicator or Sender –** The process of communication starts with the communicator. In an organisation, communicators can be managers, non-managers, departments, the outside public, customers etc. Without communication, an organisation cannot function. The communicator has a message, or an idea or information to be communicated.
2. **Encoding –** The second important element in the communication process is encoding. Encoding involves the selection of language in which the message is to be given. The medium of expression may be speaking, writing, signalling, gesturing, physical contacting, handshake, hitting etc. Encoding should be done in such a way that the receiver may correctly understand the message communicated to him.
3. **Message –** The message is what a communicator is communicating. Without this, there is no communication. The message sent by the person should be stated in clear and unambiguous terms. Managers have several purposes of communicating viz. to have others understand their ideas, to understand the ideas of others, to gain the acceptance of their ideas, and finally to produce action.
4. **Medium –** The medium is said to be the carrier of message sent by a person to another. The medium may be face-to-face communication, telephone, group meetings, computers, memorandums, policy statements, production schedules, and sales forecasts. Sometimes, nonverbal media such as facial expressions, body language, tone of voice, gesturing *etc.*, are also used. Thus, the transmission of message may be done orally, in writing, or by gesturing.
5. **Decoding –** It involves interpretation of the message by the receiver. Interpretation of message largely depends on the perception, past experience and attitudes of the receiver.
6. **The receiver –** A communicator has to communicate with some other person called, the receiver. While communicating, the person should carefully understand the receiver. The communicator should take into account the receiver, his decoding abilities, his understanding capacity of the message being transmitted. Effective communication is always receiver-oriented; not message-oriented. The communicator should see that the receiver receives the message accurately and properly. If the receiver is unable *to* receive the message, the fault lies in the communicator, not the receiver. The communicator should send the message in that language which the receiver understands.
7. **Feedback –** Communication process includes feedback also. Feedback is a essential to see that no distortion between the intended message and received message exists.
8. **Noise –** It is a disturbance that tends to obstruct the smooth flow of communication and reduces the clarity of the message. It may be the result of poor network, in attention of the receiver etc.

8.9.3. Types of Organisational Communication.

Communication may be of several types. On the basis of relationship between the parties communicating each other, the communication may be formal or informal. On the basis of flow of direction, communication can be downward, upward or horizontal.

(a) Formal and Informal Communication

Formal communication is the official message that is communicated by a manager by virtue of his position in the organisation structure.

On the other hand, communication is said to be informal when it grown up spontaneously from personal and group interests.

(b) Downward, Upward and Horizontal Communication

When communication flows from top to bottom it is called downward communication, when it flows from bottom to up it is named as "upward communication'. Lateral, or horizontal communication refers to the flow of communication between various departments or people on the same level in an organisation.

(c) Verbal and Written Communication

Two methods of communicating a message may be verbal or written. Popular forms of oral communication include face-to-face talks, formal groups discussions, and grapevine. On the other hand, written communication is a formal method of putting the orders, instructions, reports in writing. It creates a record of evidence.

8.9.4. Barriers to Communication

Although a communicator may take great care in sending the message to the receiver properly, there may exist some barriers to communication. A poorly transmitted message often leads to misunderstanding. This would pave way to strained relations and frictions among the employees. This detrimentally affects morale of the employees. Some of the barriers to communication are —

(i) **Filtering** : The information may be filtered by sender deliberately to mislead the receiver. A manager filter the information by hiding some meaning and disclosing in such a fashion that the information is appealing to the employee. When the sender tries to filter the information, he is said to alter the communication in his favour at the cost of the real message. Filtering the message is a powerful barrier to communication.

(ii) **Selective perception** : This time the fault lies in the receiver who may indulge in selective perception. The receiver may like to perceive in what he is interested. Perceptual selection may sometimes lead to perceptual distortion. Perpetual distortions and fallacies may become endemic and vitiate the entire system. This affects the organisational effectiveness adversely.

(iii) **Language** : Communication is said to be poor and distorted if the message is not properly expressed. When information is worded in a manner not understandable to the receiver it is quite likely that the message may be misunderstood. Further, semantic problems may also distort the message.

(iv) **Semantic Barrier :** The language, words, symbols and experssions used in communication may distract attention from the actual meaning of the message. Moreover, the tendency of perople to interpret the same message in different ways may also act as a semantic barrier.

(v) **Emotions:** Emotions of both the sender and receiver influence the message that is transmitted and received. The receiver is likely to take into account the emotion of the sender and interpret the information accordingly. Extreme emotions and jubilation or depression have probability of hindering the effectiveness of communication.

(vi) Information overload : When managers furnish the heavy information to subordinates, they become unable to distinguish between important and unimportant and this way the entire exercise of communicating would be redundant and wasteful.

(vii) Non-verbal cues : They are very important sources of hindering the message especially when these cues are inconsistent with the message. Normally, the receiver expects some consistency in the non-verbal cues with the message being transmitted.

(viii) Time Pressures: Often in organization the targets have to be achieved within a specified time period, the failure of which has adverse consequences. In a haste to meet deadlines, the formal channels of communication are shortened, or messages are partially given, thus hampering effective communication.

8.9.5. Effective Communication

In order to make communication effective it is absolutely essential for the managers to overcome the barriers. The following are the ways to overcome the barriers:

- Fostering interpersonal trust
- regulate the flow of information
- have feedback, both verbal and non-verbal
- simplifying language
- effective listening
- see the emotions do not cloud and distort the message
- understand the non-verbal cues.

Dalton McFarland prescribes the following ten points to improve the communication skills.

(1) *Listen attentively:* find areas of common interests: Listen for main ideas;

(2) *Plan ahead:* be prepared: avoid important situations if possible: and keep the message brief:

(3) Avoid stereotyping and the assignment of individuals or ideas to right categories.

(4) Distinguish between the desire to know and the need to know.

(5) Distinguish between the facts, references and conclusions.

(6) Avoid attributing motives to other.

(7) Attend to behavioural cues as well as language or diction.

(8) Say enough, but leave some things unsaid.

(9) Don't shun all conflict, but avoid the unnecessary conflict.

(10) Withhold value judgment about context or delivery, until strategically appropriate.

8.10 CONTROLLING

From president to supervisor, controlling is the function that is performed utmost carefully by ever' manager. Control refers to the task of ensuring, that activities are producing the preset targets or goals. Controlling is aimed at monitoring the outcome of activities, reviewing feedback information about this outcome, and if necessary take corrective action. In the words of Anthony, control is "the process by which managers assure that recourses are obtained and used effectively and efficiently in the accomplishment of the organisational objectives".

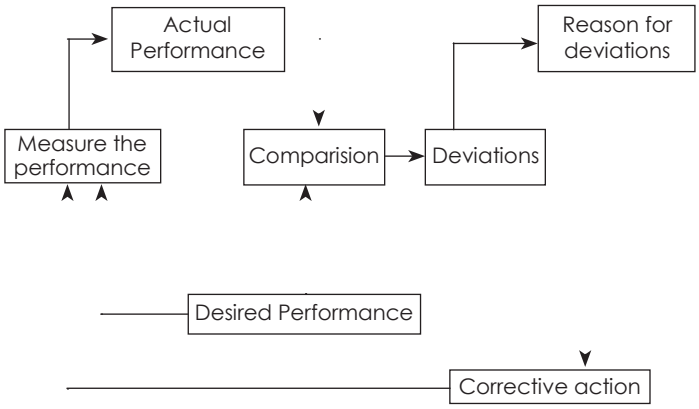
According to Haynes and Massie, control is any process that guides activity toward some predetermined goal. Hicks and Gullet content that "controlling is the process by which management sees if what did happen was what was supposed to h appen. If not, necessary adjustments are made" .

Koonts and O'doneel contends that "Managerial control implies the measurement of accomplishment against the standard, and the correction of deviations to assure attainment of objectives according to palns."

Control function is closely connected to planning. In fact, control is an effective counterpart to planning. Planning and control are so entwined that it becomes almost impossible to determine where one leaves off and the other begin. Planning without corresponding controls are apt to hollow hopes.

8.10.1. The Control Process

A control system follows the following sequence —



The Basic Control Process

Fig. 8.5

(i) **Establishment of Standards** : The first step in control process is the establishment of standards or objectives or targets against which the actual performance is measured. Fred Luthans contends that "standards are used to control the objectives, objectives are used to control goals, and goals are used to control purpose". Before setting standards, managers take necessary steps such as studying the work characteristics, setting the acceptable levels of goal performance etc. Further, a manager should see that standards are not rigid, rather they are rationally flexible.

(ii) **Measurement of actual performance** : Another crucial step in controlling is the measurement of actual performance of employers. A manager has to measure the work against which appropriate standards are set. Measurement of performance is particularly difficult for less technical tasks.

(iii) **Comparing the actual performance with standards** : The comparison may reveal some deviations from the standards established. In very rare occasions only actual performance matches perfectly with the standards. While comparing the actual performance with the standards, a manager should see that the deviation does not go beyond a acceptable range.

(iv) **Taking corrective action** : If the actual result is far from the desired result (whether the deviation is positive or negative) corrective action- is called for. If there is a negative deviation an enquiry should be made as to why actual results were not meeting the standards. If there is positive deviation, it does not mean that the performance is very good. The positive deviation may be due to substandard being fixed. This too calls for corrective action. Standards should be revised. A manager has to assess the causes of deviation and take necessary rectificational measures.

Corrective action includes —

- re-setting the standards
- reallocation of duties to employees
- changing the organisation structure
- providing motivation to employees
- training and selecting the employees.

8.10.2. Controlling Responsibilities and Role of Communication in Control

8.10.2.1. Controlling Responsibilities

What to Control

In any organisation or a work unit, managers have to decide in advance the area or points of activity which need to' be controlled —These are to be selected based on their importance in relation to the whole activity and desired results. This leads us to examine two concepts: critical point control and control of exception.

(a) ***Critical point control***: In a simple operating system, all aspects of the activity can be watched and controlled in a close manner. But as a system becomes more complex, it may not be possible or necessary or economical to control each and every aspect of the activities. In such cases controls have to be selective. A few key areas or aspects ot the activity and their performance have to be identified and control attention has to be focused on them. The underlying assumption is that the selected key areas or aspects are critical to the survival and success of the system in the sense of being limiting or bottleneck factors and that by paying attention to them it is possible to ensure planned performance of the whole operation. The selected key areas for control are variously called key result areas, key success factors, critical points or strategic points. In the area of inventory control, ABC analysis is an example of critical point control.

(b) ***Control by exception***: Also known as 'management by exception', the principle is widely practised by managers in organisations. It means that managers at each level should pay attention to only exceptional and significant deviations from planned results. Only exceptional instances of off-line functioning of the system shouid deserve managerial attention and remedial action. Performance which is largely within the permissible standards in spite of the presence of minor deviations or disorders need not be referred to managerial attention. The idea behind the principle of control by exception is that 'no news is good news'. If there is nothing to report, the presumption is that the system is functioning alright.

Kinds of Control

Three kinds of control systems are used by Modern organisations, namely (i) Historical (or) Feedback control (ii) Concurrent control and (iii) Predictive of feed forward control.

(i) **Feedback control**: In all physical and biological systems, some message is transmitted in the form of mechanical transfer of energy, a chemical reaction, or any other means which is known as 'cybernetics'. In social systems also, some information is sent back to exercise control. Any good managerial system controls itself by information feedback which discloses errors in accomplishing goals and initiates corrective action. Feed back is the process of adjusting future action based upon information about past performance. Though feedback is 'after the fact' it is vital to the control process. Sometimes, input variables are immeasurable (e.g., the values an employee brings to the job) or are not detected at the feed forward control point. Feed back is necessary in any continuous activity as it enables to take corrective action which is essential for the accomplishment of goals of the system.

The concept of feedback is important to the development of an effective control in any organisation. This is also known as 'post control' which refers to gather information about completed activity, to evaluate information and to take corrective actions to improve similar activity in future. In other words, it permits the manager to use information on past performance to bring future performance in line with planned objectives and standards. Post control helps in testing validity and appropriateness of standards. To make post-control more meaningful and effective, analysis of post-performance is required to be made as quickly as possible and control reports should have been submitted to the manager without loss of time.

(i) **Concurrent Control**: It is known as 'real time' or 'steering' control. It is concerned with the adjustment of performance before any major damage is done. For instance, the navigator of a ship adjusts its movements continuously or the driver of a car adjusts its steering continuously depending upon the direction of destination, obstacles and other factors. In a factory, control chart is an example of concurrent control. Concurrent control occurs while an activity is still taking place.

(ii) **Feed forward control:** Feed forward control involves evaluation of inputs. Feed forward follows the simple principle that an organisation is not stronger than its weakest link. For instance, if a machine is not functioning properly, the operator will look for certain critical components to see whether they are working well or not. The same logic applies to feed forward control, it is essential to determine and monitor the critical inputs into any operating system. Preventive maintenance programme is an important example of feed forward control. It is employed to prevent a breakdown in machinery. Another example of feed forward control is formulation of policies to prevent critical problem from occurring. For instance, a policy on absenteeism may be communicated to new employees to help and prevent potential problems created by absenteeism.

Feed forward control may be used with great advantage if the following guidelines are followed:

(a) Thorough planning and analysis must be done.

(b) Careful discrimination must be applied in selecting input variables.

(c) Data on input variables must be regularly collected and assessed.

(d) The feed forward control system must be kept dynamic.

(e) Corrective action must be taken as suggested by feed forward control.

8.10.2.2 Role of Communication in Control

We have seen earlier how communication is ubiquitous in all functions of management. The control process is lubricated by communication of information at several points. Information on plans, programmes and budgets is to be transmitted to managers responsible for determination of standards of performance, which in turn need to be communicated to those functionaries who have to meet them through various operations. As soon as actual performance or results/output is measured, information in the form of reports have to be prepared and communicated to the concerned managers for purposes of evaluation. If actual performance matches standards, the fact is fed back to the operating system as an indication of satisfactory results. If actual performance is adversely out of line with standards, then also information on such deviations and instructions on needed corrective action are fed back to the operating system to set right the inputs and/or processes in the future for example, adjustment of workload or allocation of resources.

It is clear from the above that communication is an important element of the control process and involves *'feed-back'of* information. In the control cycle also depicted earlier in the diagram, several feed-back loops have been shown linking the various stages of the control process. So much so, the concept of feedback gained much importance in the literature on control process. Feedback of information is nothing but communication of results, their positive or negative aspects and the need for continuance of operations along pre-determined lines or correction of deviations to the operating units. Feed- back of information is necessary for purposes of enabling the operating units to know

the results of their operations *i.e.,* to know how they have actually performed, whether there are any serious deficiencies and what action has to be taken to set them right.

Feed-back is generally thought of in terms of a loop or circuit. There are two types of feedback loops—closed loops and open loops. In a closed feed-back loop, directions on corrective action are definitive, are meant to maintain the operating system's activity on predetermined lines and are incorporated in the control system itself. Such an arrangement is aimed at enabling the operating system to function in a deterministic manner with no outside intervention for correction of deviations. In other words, mechanisms are built into the system for automatic self-regulation and self-adjustment of the system's functioning and performance in a 'steady state' manner.

In an open feed-back loop, enough scope is left for outside intervention to correct or adjust or adapt the system's functioning and outputs. There is no automatic internal arrangement as such for self-correction of the system. The need for flexibility or openness is recognised. To this extent, the corrective mechanism is not deterministic but discretionary. There is scope for application of one's mind as to the need for correction of deviations or for adapting the system to match the changes in the situation.

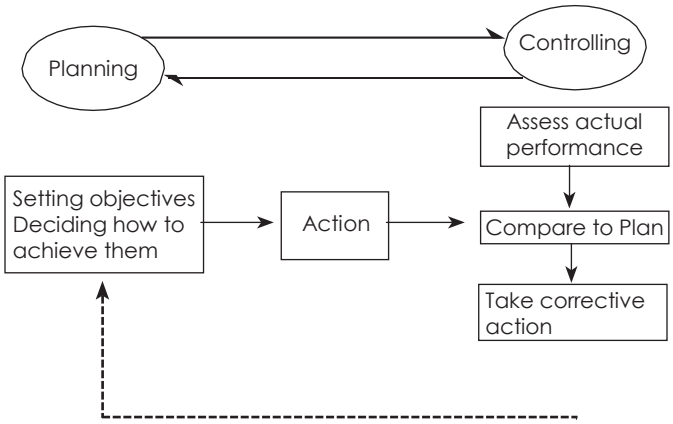
Both closed and open feedback loops are useful in their own way. If a system is desired to function with steady state efficiency in accordance with pre-determined output requirements, a closed feedback loop could be incorporated for its control. In this connection the concept of cybernetic control is relevant. It refers to a pre-determined self direction and self-regulation of the internal functioning of a system in a closed setting through automatic negative feedback of corrective information and instructions. The term 'cybernetics' was coined by Norbert Weiner and is defined as the science of communication and control in terms of which the normal self- regulative and adaptive functioning of living organisms could be explained. Weiner and others who did considerable research in the areas acquired important insights on the application of the principles of self-control among biological species, to man-made mechanical and social systems. The thermostat in a refrigerator (a mechanical system) operates on the principles of cybernetic control. The objective is to keep the system's activity and output well-regulated, stable and balanced in a mechanistic manner, with little scope and need for human intervention once the process of control is initiated.

It has to be remembered that cybernetic control is self-regulative control and not self-adaptive control. Engineering process controls, computerised controls, and procedure/rule based operational controls (like inventory control, statistical quality control etc.) are examples which apply principles of cybernetic control. These types of control systems do not have built in mechanisms for adaptive responses to changes in the external environment. They consider the external environment as given and concentrate on ways and means of achieving internal stability, reliability, order and precision in a routine and standardised manner.

As against the above closed feedback loop cybernetic/operational control systems, open feedback loops are useful in designing higher management control systems which are meant to enable organisations and their major subsystems to become flexible and adaptive by coping with environmental complexity and changes. The activities to be controlled are non-routine and relatively ill-structured. Much managerial judgment, discretion and innovation are required to monitor, measure, regulate and adapt the functioning of the system and to keep the system in a state of 'dynamic equilibrium' (to be discussed a little later).

8.10.3. Relationship between Planning and Control

It is often asserted that planning and control are two sides of the same coin, meaning thereby that they cannot be separated. One does not make sense without the other. They are elements of one integral function.



How Planning and Controlling Work as essential management functions

Fig. 8.6

The function of planning provides the philosophy and guide posts within which management activity is regulated. Performance standards are established by reference to plans and budgets. Long range plans are reduced to short-range plans for purposes of implementation and control. Implementation of plans is monitored through plans. The purpose of control is to ensure that events conform to plans. Control is meant to keep the plans on the right track and to keep away the forces of disruption and distortion. The lessons of control are fed-back to modify and reform future plans.

The points of similarity and differences between planning and control are outlined as follows :

(a) Planning is an intellectual, thinking exercise which, by itself does not help the organisation to achieve its goals. Control is action and results-oriented. It is an administrative function to some extent and can even be routinised.

(b) Planning is a bulwark against making impulsive, snap decisions by managers on organisational matters. Control is a bulwark against organisational drift into inaction and malfunctioning. Planning is necessary to contain and gain command over the forces of uncertainty and complexity. Control is necessary to ward off disruptive and perversive forces. Planning enhances the capability of the organisation to tackle the future with a sense of confidence. Control strengthens the organisation's will to preserve its integrity and identity.

(c) Planning and control are the twin processes which mark out organisations as rational systems of order. They enable the individual organisation to cope with complexity, to strive for achievement of goals, to maintain its internal functioning and to adapt with the changing environment.

(d) Often, planning is viewed as a forward-looking activity while control is viewed as a backward-looking activity. In other words, planning is future oriented and control past oriented. Since control involves measurement of progress of activities and correction of deviations, it is often viewed as a post-mortem exercise. Such a view holds good with respect to 'post control' activity. However, when controls are of real time or feed forward type, the notion that control is a backward-looking activity does not hold good.

8.10.4. Prerequisites of an Effective Control System

Any control system should meet certain requirements in order to be effective, which are indicated below :

(1) There should be a match between the type of function and the system of control at all levels of the organisation.

(2) The control system should be sensitive enough to point out deviations from plans immediately so that corrective action can be initiated with little loss of time and before any damage is caused.

(3) The control system should be flexible and forward looking just like the planning system, to enable the organisation and its sub-systems to adapt and adjust their goals and the means of reaching them in turn with the change in the environment *i.e.,* to maintain a sort of dynamic equilibrium.

(4) The control system should focus on strategic and key activity areas or points which are critical to overall performance.

(5) The control system should enable managers to utilise their time and talent most effectively by concentrating on major or exceptional deviations from plans.

(6) The control system should be formal and objective as far as possible, in fairness to those whose performance is monitored, regulated and evaluated. To some extent, quantification of performance standards meets this requirement.

(7) The control system should be consistent with the organisational structure. It should be built into the horizontal activity relationships and vertical authority relationships. In a sense, the organisational structure is a control system, designed to achieve certain pre-determined goals effectively.

(8) Controls are nothing more than means to certain ends. They are not ends in themselves. They should constantly focus on goals to be achieved, on values to be preserved and on interests to be promoted.

(9) The control system should be economical to operate; economy need not however be exercised at the cost of effectiveness. Sometimes, a simple inexpensive control system may match with expensive, highly sophisticated one in terms of effectiveness.

(10) The control system should give due allowance to factors or variables which cannot be controlled but which affect the performance of people.

(11) The control system should be designed to measure and evaluate the diverse dimensions of performance of individuals and activity areas, giving appropriate weightage to all the relevant variables having a bearing on performance: qualitative variables or factors deserve to be taken into consideration, while evaluating performance.

(12) The means adopted to achieve goals should also be kept under watch by the control system, because both means and ends are important.

(13) Finally, the control system should be understandable to those whose performance is sought to be regulated. The requirements of control should be communicated in a simple and straightforward manner to those who are to abide by the system.

8.10.5. Principles of Control

The following principles of control summaries the substantive parts of the above discussion on the controlling function.

- **Principles of assurance of objective :** The task of control is to ensure that plans succeed by detecting deviations from plans and furnishing a basis for taking action to correct potential or actual deviations.
- **Principle of future-directed controls:** The more a control system is based on feedforward rather than simple feedback of information, the more managers have the opportunity to perceive undesirable deviations from plans before they occur and to take action in time to prevent them. Control, like planning, should ideally be forward-looking, because of time lags in the system of information feedback. Hence control should be directed towards the future by devising proper information, forecasting, early warning and rapid response mechanisms.
- **Principle of control responsibility:** The primary responsibility for the exercise of control rests in the manager charged with performance of the particular plans involved. There is unity of planning and control in each managerial position.
- **Principle of efficiency of controls:** Control techniques and approaches are efficient if they detect and illuminate the nature and causes of deviations from plans with a minimum of costs or other

unsought consequences. The results of control should be worth their costs—both in monetary and human terms. The adverse human consequences of control have especially to be guarded against.

- **Principle of direct control:** Higher the quality of every manager in a managerial system, they would ensure a high quality of managerial decision making and action behaviour.
- **Principle of reflection of plans:** The more the plans are clear, complete and integrated, and the more the controls are designed to reflect such plans, the more effectively controls will serve the needs of managers. Clear, complete and integrated plans facilitate better control.
- **Principle of organisational suitability:** The more that an organisational structure is clear, complete and integrated, and the more that controls are designed to reflect the place in the organisation structure where responsibility for action lies, the more they will facilitate correction of deviations from plans. Responsibility for execution of plans and for correction of deviations must be pinpointed clearly in the organisational structure.
- **Principle of individuality of controls:** The more that control techniques and information are understandable to individual managers who must utilise them for results, the more they will be actually used and the more they will result in effective control. Control techniques should be tailored to the personality and orientations of managers; atleast they should be intelligible to them and within their power of understanding.
- **Principle of standards:** Effective controls require objective, accurate and suitable standards. Measurement of performance by reference to standards should be verifiable, specific and simple. Standards should earn the respect of people who have to abide by them.
- **Principle of critical point control:** Effective control requires attention to those factors critical to appraising performance against an individual plan. Managers should concentrate on salient features of performance in selective areas, picked up as of strategic importance.
- **Principle of exception :** The more managers concentrate control efforts on exceptions, the more efficient will be the results of their control. This principle suggests that managers should concentrate on significant deviations, both positive and negative, from plans.
- **Principle of flexibility of controls:** If controls are to remain effective, despite failure or unforeseen changes of plans, flexibility is required in their design. Since plans have to be flexible to order to be effective, control has also to be flexible.
- **Principle of action :** Control is justified only if indicated or experienced deviations from plans are corrected through appropriate planning, organising, staffing and leading. The principle affirms the essential unity of management.

8.10.6 Techniques of Control

Managers use different methods and systems to exericise control of different levels. Now, we will touch upon some of the tools and mechanisms devised by managers and others, over the years to control specific aspects of activity and performance of an enterprise or work units.

"Budgets are formal quantitative statements of the resources allocated for the execution of activities over a given period of time, and include information about projected income, expenditure and profits."

1. ***Budgetary Control*** **:** Budgets are useful as tools of control to the extend that they, permit, monitoring, measurement, evaluation, regulation and correction of enterprise activity along desired pre-determinated directions.

   The essential elements of budgetary control are outlined as follows:

   (i) Translation of enterprise goals into sub goals of the various operating units which are further operationalised as standards of performance, and targets of achievement (sales, market share, production, profit etc.), over a short period of time say, six months or one year.

   (i) Determination of the volume of resources required to achieve the operational goals - funds, material, labour, equipment, time and so forth.

(iii) Accord of general sanction for the acquisition and allocation of budgetary resources to various activity units over the budgetary period.

(iv) Devolution of necessary authority and fixing up of accountability for the planned performance standards and targets, among the various executive positions.

(v) Establishment of appropriate system for monitoring, measuring and evaluating the pace and quality of operations on a continuous basis. This includes initiation of required measures to ensure that actual performance is in conformity with budgeted performance. Deviations and variances are analysed and remedial measures are taken to set them right.

2. ***Financial Statements*** **:** The annual financial statements of enterprises - Trading and Profit and Loss Account and Balance Sheet are powerful tools of control. They epitomise the financial dimension of enterprise operations at periodic intervals of time. The profit and Loss during a specified period while the Balance Sheet is a position statement of the financial status of the enterprise at the end of the specified period-Managers could analyse the financial statements of the previous period - historical statements to know the dynamics of revenue generation and incidence of expenditure as also the trends of changes in *the* liabilities, assets and net worth of the enterprise. Projected financial statements for the next year may also be prepared on the basis of forecasts and plans of the enterprise and these could also be used to monitor and regulate financial events and transactions which take place in the enterprise.

3. ***Break-even analysis*** **:** Also called Cost-Volume Profit analysis, break-even Analysis is a tool of control to size up the behaviour of costs, revenues and profit various levels of activity. It enables management to understand the amount of profit that can be expected at various volumes of operations, the appropriate volume of operations needed to obtain a target level of profit, and the impact of changes in product prices and costs on the volume of operations and profitability.

   Simple break-even graphs can be prepared on a rough basis by using the available or projected data of fixed and variable costs and sales volumes of the enterprise to arrive at the break even point - the point at which the total revenue is equal to total cost. It is a no profit no loss point. More complex break even analysis can be undertaken with the help of computers to project how small changes in unit prices, target profits and levels of activity influence one another.

   Break-even analysis is adopted as a tool of profit planning. It is thus a technique of both planning and control.

4. ***Management information System (MIS)*** **:** MIS can helpful to managers in carrying out the planning, controlling and operational functions by gatherign storing and converting data into useful information.

   MIS incorporates, historical, current and projected information—quantitative or non- quantitative. It provides information in summary or detailed form as needed by managers. It provides information for all types of decision issues-strategic, administrative and operational. It enables managers to improve the quality and timeliness of their decisions in particular and to systematise even their day-to-day functioning in general. It adds to the alertness, awareness and intelligence of managers by supplying information in the form of progress and review reports on on-going activity. Another role of MIS is to provide only that much information as called for by managers specifically for purposes of decision making. This means that the question of information overload does not arise and that only optimum information is provided. The information is also updated on a continuous basis so as to make it more relevant. MIS avoids furnishing of overlapping information as it will create confusion in the minds of managers. There is thus the desired degree of focus and selectivity in the information content.

5. ***Management Audit*** **:** The term 'Management Audit' is defined as a systematic evaluation of the functioning, performance and effectiveness of management of an organisation. It is thus an independent appraisal of an organisation's management by an outside firm.

Depending on the preferences and perspectives of top management audit may cover all or some major facts of functioning of the organisation and its management. A few major areas which could be exposed to the search lights of management audit are listed as follows :

(a) Formulation of organisational objectives, strategies, policies and programmes of action and the manner in which they are pursued, as also the extent of success achieved.

(b) Design and operation of organisational structures of roles, activities and relationships.

(c) The manner and efficiency with which resources and assets are mobilised, developed, allocated, utilised and safeguarded, including the human resources.

(d) Design and functioning of various systems and operations within the organisation.

(e) The manner in which the management team anticipates and sizes up external environmental elements and designs appropriate adaptive strategies to cope with them.

(f) The internal organisational climate - to what extent it is conducive for co-operation, harmony, creativity, productivity and satisfaction.

(g) The quality of managerial decisions : their soundness, timeliness and effectiveness.

8.11 CO-ORDINATION

Coordination is the effort to ensure a smooth interplay of the functions and forces of all the different component parts of an organisation so that its purpose will be realised with a minimum of friction and a maximum of collaborative effectiveness. "It makes diverse elements and sub- systems of an organisation to work harmoniously towards the realisation of common objectives". "Coordination is the process whereby an executive develops an orderly pattern of group effort among his subordinates and secures unity of action in the pursuit of common purpose".

Coordination is a conscious and rational process of pulling together the different parts of an organisation and unifying them into a team to achieve predetermined goals in an effective manner. According to Henry Fayol, 'To coordinate is to harmonise all the activities of a concern so as to facilitate its working and its success. In a well-co ordinated enterprise, each department or division works in harmony with others and is fully informed of its role in the organisation. The working schedules of various departments are constantly tuned to circumstances." Coordination is the orderly synchronisation of efforts of the subordinates to provide the proper amount, timing and quality of execution so that their unified efforts lead to the stated objective, namely the common purpose of the enterprise. It involves blending the activities of different individuals and groups for the achievement of common objectives.

George Terry and Theo Haimann consider coordination as a permeating function of management passing through the managerial functions of planning, organising, staffing, leading and controling. Thus, according to them, co-ordination is not a separate function of management as it transverses the entire process of managing - it is thus the essence of management.

8.11.1. Features of Co-ordination

5Coordination is not a distinct function but the very essence of management. It is inherent in managerial job and embodied *in* all the functions of management.

(i) Coordination is the basic responsibility of management and it can be achieved through the managerial functions. No manager can evade or avoid this responsibility.

(ii) Coordination does not arise spontaneously or by force. It is the result of conscious and concerted action by management. It cannot be left to chance.

(iii) The heart of coordination is the unity of purpose which involves fixing the time and manner of performing various activities,

(iv) Coordination is a continuous or on-going process. It is also a dynamic process involving give and take.

(VI) Coordination is required in group efforts, not in individual effort. It involves the orderly arrangement of group efforts. There is no need fo coordination when an individual works in isolation without affecting anyone's functioning.

(vii) Coordination is a systems concept in the sense that it regards an organisation as a system of co-operative efforts. It recognises the diversity and interdependence of organisational systems and the need for fusion and synthesis of efforts.

8.11.2 Principles of Coordination:

Principles for achieving effective communication can be enumerated as below:

- **Principle of Early Stage** - According to this principle, coordination must start at an early stage in the management process. It must start during the planning stage. This will result in making the best plans and implementing these plans with success.

- **Principle of Continuity** - According to this principle, coordination must be a continuous process. It must not be a one-time activity. The process of coordination must begin when the organisation starts, and it must continue until the organisation exists.

- **Principle of Direct Contact** - According to this principle, all managers must have a Direct Contact with their subordinates. This will result in good relations between the manager and their subordinates. This is because direct contact helps to avoid misunderstandings, misinterpretations and disputes between managers and subordinates.

- **Principle of Reciprocal Relations** - The decisions and actions of all the people (i.e of all managers and employees) and departments of the organisation are inter-related. So, the decisions and actions of one person or department will affect all other persons and departments in the organisation. Therefore, before taking any decision or action all managers must first find out the effect of that decision or action on other persons and departments in the organisation. This is called the Principle of Reciprocal Relations. Co-ordination will be successful only if this principle is followed properly.

- **Principle of Effective Communication** - Co-ordination will be successful only in the presence of an effective communication. Good communication must be present between all departments, within employees themselves and even between managers and their subordinates.

- **Principle of Clarity of Objectives** - Co-ordination will be successful only if the organisation has set its clear objectives. Everyone in the organisation must know the objectives very clearly. No one must have any doubts about the objectives of the organisation. Clear objectives can be achieved easily and quickly.