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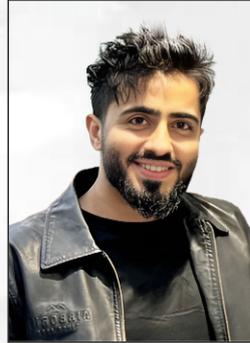**CS PROFESSIONAL**
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We assure you the best of success and pride. And yes, it's not just a bond of your course duration, but a relationship for life now. We welcome you in advance to this prestigious journey of professional excellence.

On behalf of TEAM YES

CS VIKAS VOHRA   **CA CS HARISH A. MATHARIYA**
(Founder)   *(Founder)*

MODULE 5 – FUNDAMENTALS OF MANAGEMENT

CHAPTER 5.1 – INTRODUCTION TO MANAGEMENT

> IF YOU SEE ANY WORK RUNNING SMOOTHLY, KNOW THAT
> MANAGEMENT IS WORKING SILENTLY IN THE BACKGROUND!

What is Management?

- **Management** means **managing people (men) tactfully** to achieve **predetermined goals**.
- It is required in **every walk of life** where goals are to be achieved in an **organised manner**.
- **Adherence to basic principles of management** is a **sine qua non** for success.

☞ *"Sine qua non"* means **indispensable / absolutely necessary / essential condition**

According to **economic theories**, there are **four factors of production**:

1. **Land**
2. **Labour**
3. **Capital**
4. **Entrepreneurship**

- **Entrepreneurship** which is the fourth factor of production is nothing but:
  - **Organising skill**
  - **Administrative ability** ⎤ of the management
  - **Enterprising initiative**

Thus, Management provides **leadership** to a business enterprise.

Without able managers and effective managerial leadership:
  - Resources remain **mere resources**
  - They **never become production**

In a competitive economy and ever-changing environment, the quality and performance of managers determine both the **survival** and **success** of the organisation.

Organisations must **acquire and allocate** the resources necessary to achieve their goals. How successfully an organisation achieves its goals, objectives, satisfies social responsibilities or both depends, to a large extent on its **managers**.

If managers do their jobs well, the organisation will probably achieve its goals.

Managers at **every level** perform four basic functions:

Planning → Organising → Leading → Controlling

- Hence, managers are also called:
    - **Organisational planners**
    - **Organisers**
    - **Leaders**
    - **Controllers**

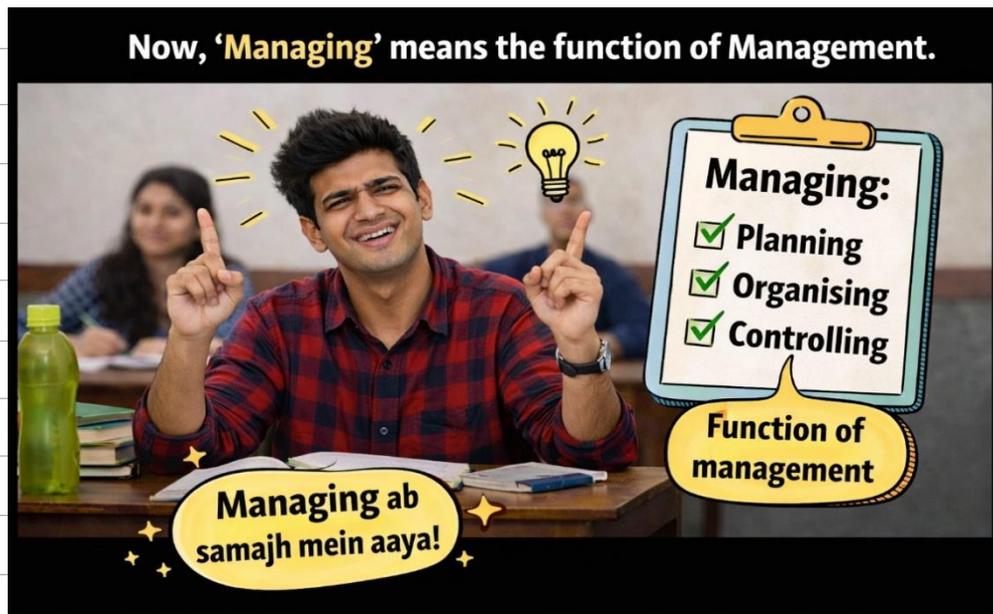Manager are in constant action.

Management is a distinct function → so, can be **separately studied**

- It consists of **basic and interrelated activities**. It is:
    - A **discipline** → as it adds **effectiveness to human efforts and** brings **order** to them
    - A **process** → which has a **dynamic aspect**
    - A **distinct branch of sociology**

<u>**TERMINOLOGY ISSUE IN MANAGEMENT**</u>

S.I.I DEFINITION OF MANAGEMENT

Conventional Definition:-

"Getting work done through people,
but real management is developing people through work."

- Agha Hasan Abedi

The person who **directs the efforts of others** is called **Manager**.

DEFINITION OF MANAGEMENT BY DIFFERENT AUTHORS

Author	Definition
Lawrence A. Appley	Management is the development of people and not the direction of things.
Joseph Massie	Management is the process by which a co-operative group directs action towards common goals.
George R. Terry	Management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish objectives by the use of people and resources.
Henry Fayol	To manage is to forecast and to plan, to organise, to command, to co-ordinate and to control.
Peter F. Drucker	Management is a multi-purpose organ that manages business, managers, workers and work.
Harold Koontz & Cyril O'Donnell	Management is the creation and maintenance of an internal environment where individuals working in groups perform efficiently and effectively to achieve group goals.
Newman, Summer & Warren	Management makes cooperative endeavour function properly. A manager gets things done with people and other resources.
Kimball and Kimball	Management includes all duties related to initiation, financing, policy formulation, organisation structure, equipment and selection of officers.

From the above definitions, it is clear that management is a technique of **extracting work from others in an integrated and co-ordinated manner** for the purpose of achieving **specific organisational objectives** through the **productive use of material resources**.

It involves **mobilising physical, human and financial resources** and **planning their proper utilisation** in business operations so as to **achieve defined goals**.

When the views of various authorities are combined, **management may be described as a distinct and ongoing process** of **allocating organisational inputs**, that is, **human and economic resources**, by performing the **managerial functions of planning, organising, directing and controlling**, with the objective of producing **goods and services desired by customers** within the **environment**. In this process, work is performed **with and through the personnel of the organisation** while operating in an **ever-changing business environment**.

5.1.2 NATURE OF MANAGEMENT

Based on the discussion on the meaning and definition of management, the following **salient features** explain the **nature of management**:

1. Result-oriented:- Management is primarily concerned with **achieving desired results** through **planning, direction and control**. The **rational utilisation of resources** to **maximise profit** is the economic function of management. As stated by **Kimball**, management is the art of applying economic principles for controlling men and materials.

2. Humane approach:- Management works **through people** and therefore depends on **co-operation and positive human response**. Profit objectives cannot be achieved without human efforts. According to **Harold Koontz** and **Cyril O'Donnell**, management is the art of getting things done through people in formally organised groups.

3. Process-centric:- Management is a **continuous process** involving **planning, organising, actuating and controlling**, which continues until organisational objectives are achieved. As per **George R. Terry**, management is a **distinct process** performed using **human and other resources**.

4. Universal activity:- Management is not restricted to business organisations alone. It is equally applicable to **political, social, religious and educational institutions** wherever **group effort** is required.

5. Science as well as an art:- Management is a **science** because it follows **systematic principles**, and an **art** because these principles are applied through **personal skill and judgement** to achieve predetermined objectives.

6. Group activity:- Management is always concerned with **group efforts** and not individual efforts, as organisational goals can be achieved only through **collective action**.

7. System of authority:- Management operates through a **formal authority structure**, laying down **rules, procedures and policies**, and ensuring **discipline and compliance** among subordinates.

8. Decision-making function:- Management essentially involves **decision-making** regarding organisational objectives, policies and operations at various levels.

9. Implies leadership:- Effective management requires **good leadership** to influence and guide subordinates. According to **R. C. Davis**, management is the function of executive leadership everywhere.

10. Dynamic activity:- Management is **dynamic in nature** and must continuously **adapt to social, economic and environmental changes**.

11. Multidisciplinary:- Management is an **interdisciplinary subject** drawing knowledge from **economics, psychology, sociology, statistics, mathematics and anthropology**.

12. Goal-oriented:- Management is a **goal-oriented activity** aimed at achieving **predetermined objectives** with available resources.

13. Levels of management:- Management exists at different levels, namely **top level, middle level and lower level**, depending on the **nature and importance of activities**.

14. Managers need not be owners:- It is not essential that managers must be owners of the business. In **joint-stock companies**, **ownership and management are separate**.

15. Intangible:- Management is **intangible** and cannot be seen physically, but its results are **felt and measured** in terms of **efficiency, productivity, profitability and performance**.

IS MANAGEMENT A SCIENCE OR AN ART?

It is said that "management is the **oldest of arts** and the **youngest of sciences**".

According to the nature of management, there is a controversy that whether management is a science or an art. This controversy is very old & is yet to be settled.

Management as a Science

Science is a **systematised body of knowledge** pertaining to a particular field of enquiry. It contains concepts, hypotheses, theories, experimentation and principles to explain **cause and effect relationship** between two or more factors. The following characteristics should be recognised as a science:

1. Universally Accepted Principles: Scientific principles represent basic truth about a particular field of enquiry. These principles may be applied in **all situations**, at **all time** & **at all places**. Management also contains some **fundamental principles** which **can be applied universally** like the Principle of Unity of Command i.e. one man, one boss. This principle is applicable to all type of organization - business or non business.

2. Experimentation & Observation: Scientific principles are derived through **scientific investigation & researching** i.e. they are based on logic. Management principles are also based on scientific enquiry & observation and not only on the opinion of Henry Fayol. They have been **developed through experiments & practical experiences of large no. of managers**, e.g. it is observed that fair remuneration to personal helps in creating a satisfied work force.

3. Cause & Effect Relationship: Principles of science lay down cause and effect relationship between various variables. E.g. **lack of parity (balance) between authority & responsibility will lead to ineffectiveness.**

4. Test of Validity & Predictability: Validity of scientific principles can be tested at any time or any number of times i.e. **they stand the time of test**. These tests will give **same result, each time**. Moreover **future events can be predicted** with reasonable accuracy by using scientific principles. E.g. principle of unity of command can be tested by comparing two persons – one having single boss, one having 2 bosses. The performance of 1st will be better than 2nd.

Management as an Art

Art signifies the application of knowledge and personal skills to bring about desired results. Art has the following features:

1. Practical Knowledge: Every art requires practical knowledge therefore learning of theory is not sufficient. It is **very important to know practical application of theoretical principles**. E.g. A manager can never be successful just by obtaining degree in management; he must also know how to apply various principles in real situations, by functioning as a manager.

2. Personal Skill: Although theoretical base may be same for every artist, but **each one has his own style and approach towards his job**. That is why the level of success and quality of performance differs from one person to another. E.g. Every manager has his own way of managing things based on his knowledge, experience and personality, that is why some managers are known as good managers (like Aditya Birla, Rahul Bajaj) whereas others as bad.

3. Creativity: Every artist has an element of creativity in line. That is why he aims at producing something that has never existed before which **requires combination of intelligence & imagination**. Management is also creative in nature like any other art. It combines human and non-human resources in a useful way so as to achieve desired results. It tries to produce sweet music by combining chords in an efficient manner.

4. Perfection through practice: Practice makes a man perfect. Every **artist becomes more and more proficient through constant practice**. Similarly, managers learn through an art of **trial and error** initially but application of management principles over the years makes them perfect in the job of managing.

5. Goal-Oriented: Every art is result oriented as it seeks to achieve concrete results. In the same manner, management is also **directed towards accomplishment of pre-determined goals.** Managers use various resources like men, money, material, machinery & methods to help in the growth of an organization.

Management as both Science and Art
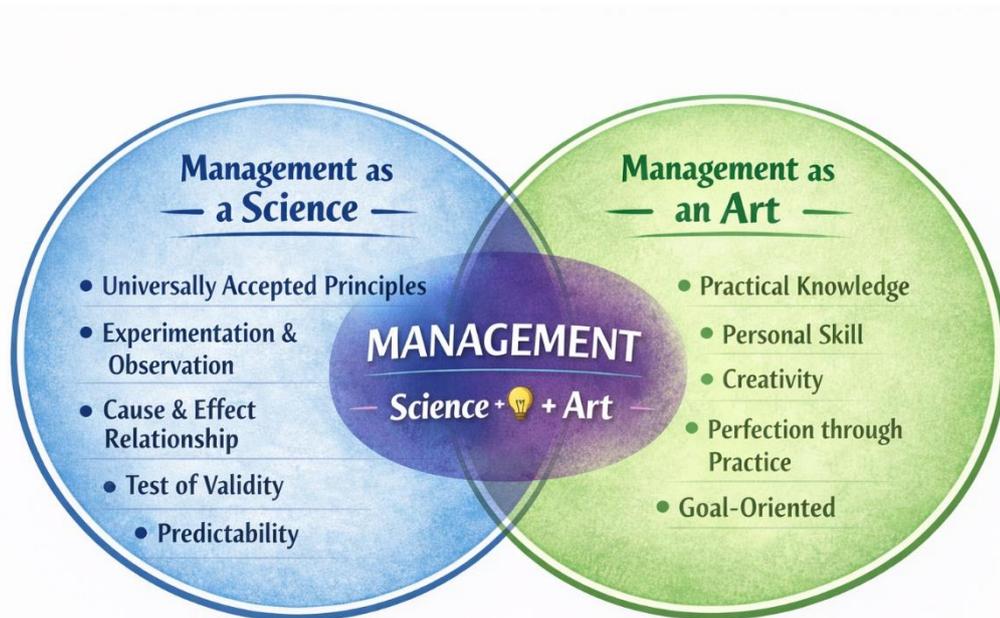
Management is both an art and a science. Management **combines feature of both science as well as art**. It is considered as a science because it has an organized body of knowledge which contains certain universal truth. It is called an art because managing requires certain skills which are personal possessions of managers. Science provides the knowledge & art deals with the application of knowledge and skills.

SCOPE OF MANAGEMENT

Management has a wide scope, but Herbison and Myres have yet tried to restrict it under three broad groups:

1. Economic Resource
2. System of Authority
3. Class or Elite

1. Economic Resource: Business Economics classifies the factors of production into four basic inputs, viz. land, labour, capital and entrepreneur. Management ensures that **using these basic factors of production** it is possible to **achieve higher growth trajectory** with sustainable profit in long run. Thus **management itself serves as an economic resource.**

2. System of Authority: Management formalises a **standard set of rules and procedure** need to be adhered to by the subordinates and ensures their compliance with the rules and regulations.

3. Class or Elite: Management is considered to be a **distinct class that has its own value system**. Managerial class, often referred to as a collective group of those individuals that perform managerial activities is essential component of each organisation.

Management- An Emerging Profession

Any specialized activity becomes a profession provided it satisfies the following characteristics:

1. There must be a **systematized body of knowledge** which is used either in instructing, advising or guiding,

2. Existence of a **formal method** and system **for teaching and training** people with that knowledge and skill,

3. A **scope for creating posts** of consultants for that skill,

4. **Formation of an association** by such consultants,

5. Existence of a **code of conduct** among such professional men and

6. **Readiness to respond** to the needs of man.

By closely studying the position of management we find that it does not satisfy all the characteristics in full although attempts are going on to develop it into a fully-fledged profession.

CHAPTER 5.2 – STEWARDSHIP THEORY AND AGENCY THEORY OF MANAGEMENT

> AGENCY THEORY: "MANAGER PE DOUBT, ISLIYE CONTROL."
> STEWARDSHIP THEORY: "MANAGER PE TRUST, ISLIYE FREEDOM."

Theories of Management

5.2.1 Stewardship Theory

- This theory is developed by **Davis, Schoorman and Donaldson (1997).**
- It is **based on the assumptions of agency theory**, which views managers as:
  - Self-interested
  - Rationally maximizing their own economic gain

Shareholders   Managers

This individualistic model is associated with the notion of an in-built conflict of interest between **Shareholders and Managers.** And this problem can only be solved through:

Vigilant monitoring and **Incentive schemes** based around Money, Promotions and Negative sanctions.

- **Donaldson (1990)** opines that, "Students of human behaviour have identified a much larger range of human motives including-
  - **Need for achievement**
  - **Responsibility**
  - **Recognition**
  - **Altruism (selfless concern for the well being of others)**
  - **Belief**
  - **Respect for authority**
  - **Intrinsic motivation of an inherently satisfying task**
    (Wood and Bandura, 1989)

Stewardship theory is about the **principal–manager relationship.** The theory suggests that:

- Both parties can choose to behave **as stewards** of the organization
- Structural factors can influence this behavioural choice *(Davis et al., 1997)*

The stewardship theory emphasizes that:

THERE IS NO CONFLICT OF INTEREST BETWEEN MANAGERS AND OWNERS

It believes that an optimum governance structure allows coordination of the organization to be achieved most effectively and efficiently, and authorizes managers to act because:

- They are **not opportunistic or greedy agents**
- They are **good stewards**
- They **strive towards protecting and increasing the interests of owners** *(Donaldson and Davis, 1991)*

Stewardship theory views a **strong relationship** between:

- **Managers' successful pursuit of organizational objectives**
- **Satisfaction of the principal**
- **Satisfaction of other participants through collective rewards**

According to **Davis, Schoorman and Donaldson** *(1997),* managers, being **stewards of the company,** try to **protect and maximize shareholders' wealth.** This is achieved through **firm performance.** By doing so, **the steward's own utility function is also maximized**

Stewards in:

Loosely coupled (not tightly controlled, with some freedom and flexibility)

Heterogeneous organizations (Employees from different backgrounds, Different roles, skills, values, and expectations)

With competing stakeholders and objectives (differing interests create competing objectives) are motivated to make decisions **they perceive to be in the best interests of the group.**

A steward who successfully improves organizational performance, **generally satisfies most stakeholder groups as most stakeholder interests are served through increasing organizational wealth.**

With this benign view of management, stewardship theory takes a more relaxed view on separating the roles of **Chairmanship** and **Chief Executive** and favours boards with:

- **A majority of specialist executive directors**
- **Rather than a majority of non-specialist independent directors**

Donaldson and Davis (1991) insist that stewardship theory is not an attempt to replace one form of determinism with another. Instead, it introduces a realistic note of contingency, meaning that **behavior depends on the situation.** Managers' choices are contingent on their **psychological motivations** and **their perceptions of the situation.**

Principals (owners or shareholders) also choose whether to create an agency relationship or a stewardship relationship. This choice is based on their perception of the situation and the manager.

In simple terms, stewardship theory believes that
BOTH MANAGERS AND OWNERS BEHAVE DIFFERENTLY IN DIFFERENT SITUATIONS,
and their decisions depend on how they think, feel, and assess each other.

Pearson and Marler (2010) argue that a leader's stewardship choice can motivate and facilitate reciprocal stewardship behaviour in employees.

Eddleston (2008) suggests that transformational leadership can lead to a stewardship culture.

Stewardship theory states that: A steward protects and maximizes shareholders' wealth through firm performance. Stewards are:

o Company executives and managers **working for shareholders**

o **Responsible for protecting and making profits** for shareholders

o **Satisfied and motivated when organizational success is attained**

The theory stresses- **greater autonomy** for employees and executives, **ownership of** jobs by employees and **diligent work** to maximize shareholders' returns.

Stewardship theory views managers as **trustworthy stewards** who, **through autonomy and commitment,** protect and maximize shareholders' wealth by improving firm performance

Diagram based on Stewardship Theory

5.2.2 Agency Theory

Since the early 20th century, the corporate sector all over the globe has witnessed a phenomenal rise of joint stock companies.

This resulted in an increasing tendency of divorce between ownership and management.

It became increasingly infeasible as well as undesirable for a large, diversified and geographically dispersed company to be controlled by a single owner or owner group.

Therefore, the necessity of entering into a contract with a professional executive to:

- Run the day-to-day affairs of the company
- Achieve long-term sustainable competitive advantage became imperative.

However, as soon as the separation between the **principal** (Owners/Shareholders/Investors) and the **agent** (Executive directors/Outside directors) was made, the everlasting question that arises is: **The conflict or overriding interests of both the parties attached to the company.**

The paradox arising from the nexus of contracts among individual factors of production is known as Agency Theory.

The theory originated from the seminal works of:

- **Alchian and Demsetz (1972)**
- **Jensen and Meckling (1976)**

It was later further elaborated by:

- **Jensen and Fama (1983)**

Early Identification of the Agency Problem:

- **Letza, Sun, and Kirkbride (2004)** pointed out that:

The agency problem was identified much earlier by **Adam Smith.**

- In **The Wealth of Nations,** Adam Smith argued that: **Company directors are not as careful with other people's money as with their own**

The agency problem is further explained by the idea that:

- **Knowledge is power**
- **The superior power lies with the agent**

This idea was expressed over 130 years ago by **Wilhelm Roscher**, who stated: *"Princip der Vorhand"* ("principle of the forehand" or "principle of being in possession/ahead")

According to Jensen and Meckling (1976): The essence of the agency problem lies in the separation of management and finance.

- Managers raise funds from investors
- Investors expect managers to generate **maximum returns**
- Shareholders are the **principals**, and managers are their **agents**

Thus, the corporation should be run **in the interests of shareholders**, even though they rely on managers for operations.

Agency theory problems are generally divided into two main types: **Type I Agency Problem** and **Type II Agency Problem**. At the core of agency theory is the separation of ownership and management, and the conflicts that arise because of this separation (Eisenhardt, 1989).

- **Type I Agency Problem** refers to the conflict between **owners (shareholders) and managers.** This owner–manager conflict occurs when managers may act in their own interest rather than in the interest of owners (Villalonga and Amit, 2006).

- **Type II Agency Problem** refers to the conflict between **majority shareholders and minority shareholders,** such as between family and non-family shareholders (Villalonga and Amit, 2006). An example of a Type II agency problem occurs when the goals of different shareholders are not aligned, leading to conflicts within the ownership group.

Agency theory has several **disadvantages** related to opportunism and self-interest of the agent.
- The agent may:
  - Act to increase his **own market value or goodwill**
  - Rather than exerting his **utmost efforts to enhance shareholder value**

According to agency theorists, the agent may **misuse his power** for **pecuniary (financial)** or other personal advantages.

The agent may also:

- o   Be unwilling to **assume risks on behalf of principals' interests**
- o   Because the agent may consider such risks **inappropriate for himself**
- o   Due to **different attitudes toward risk** between agent and principal.

Another major issue is **information asymmetry**, where:

- o   The principal and agent have **different levels of access to information**
- o   The principal is often in a **disadvantaged position**
- o   Because the agent has **greater proximity to the source of information**

To solve the **agency problem**, agency theorists suggested a **stronger role for the Board of Directors**. The board is expected to perform a **transparent and effective monitoring role** to ensure better corporate governance.

According to **Blair (1996)**, managers act as **agents** of a corporation's **owners**, but they must be **properly monitored**. For this purpose, the presence of **independent directors** is necessary to create **checks and balances** and to ensure that managers do not misuse their power.

The costs arising from these issues are known as **agency costs**, which include:

- •   Costs due to managers misusing their position and power
- •   Costs of monitoring, surveillance, and disciplining managers
- •   **Bonding costs** incurred by the agent
- •   Loss of welfare caused by decisions that do not maximize the **principal's interests**

Agency costs are not limited only to the **ownership-management relationship**. They also apply to other relationships such as: Company and creditors, Employer and employee or Company and customers.

Moreover, **Shleifer and Vishny (1997)** argue that the agency problem is a key element of the **contractual view of the firm**. This view highlights the **difficulty of drafting complete contracts** and the problems that arise due to **incomplete contracts**, which further increase agency issues.

In their seminal paper, Jensen and Meckling (1976) introduced agency costs as an important tool for evaluating different designs of the principal-agent relationship.

They defined agency costs as consisting of:
- **Monitoring costs** incurred by the principal
- **Bonding costs** incurred by the agent
- **Residual loss**, which is the loss in the principal's welfare caused by decisions taken by the agent that do not maximize the principal's interest

Jensen and Meckling also pointed out a practical limitation:
- When agency costs can be accurately calculated, monitoring is not required
- When monitoring is required, agency costs cannot be precisely calculated

According **to Hart (1995),** principals and agents usually write **incomplete contracts** because:
- It is difficult to foresee and plan for all future situations
- Negotiating all possible conditions is complex and often impractical
- Contracts are hard to write in a way that courts can clearly interpret and enforce

Further, **Aghion and Bolton (1992)** argue that due to:
- Contractual incompleteness
- Wealth constraints

it is not possible to resolve all conflicts between principals and agents through contracts alone.

Finally, according to **Prof. Jensen (1994),** the efficient market is the most effective mechanism for dealing with the agency problem, as market forces help discipline managerial behavior.

It was believed that an efficient market mechanism could ensure:
- Effective corporate control
- Efficient management of labour
- Proper dissemination of corporate information

According to **Learmount (2002),** an efficient market makes it possible for:

- Management to bear the costs of its own misconduct
- This, in turn, creates incentives for self-control

Jensen and Meckling (1976) also argued that:

- The market has traditionally been viewed as one of the best judges of managerial efficiency
- The joint stock company popularized the separation of ownership and management
- Otherwise, individuals would not be willing to entrust large portions of their wealth to managers who have little direct interest in owners' welfare

Moreover, **neoclassical economists** view:

- The market as the primary mechanism for efficient contracting
- The firm as a facilitator of continuously renegotiated contracts

Agency Theory states that due to separation of ownership and management, **managers may act in self-interest, creating conflicts that must be controlled through monitoring, incentives and governance mechanisms.**
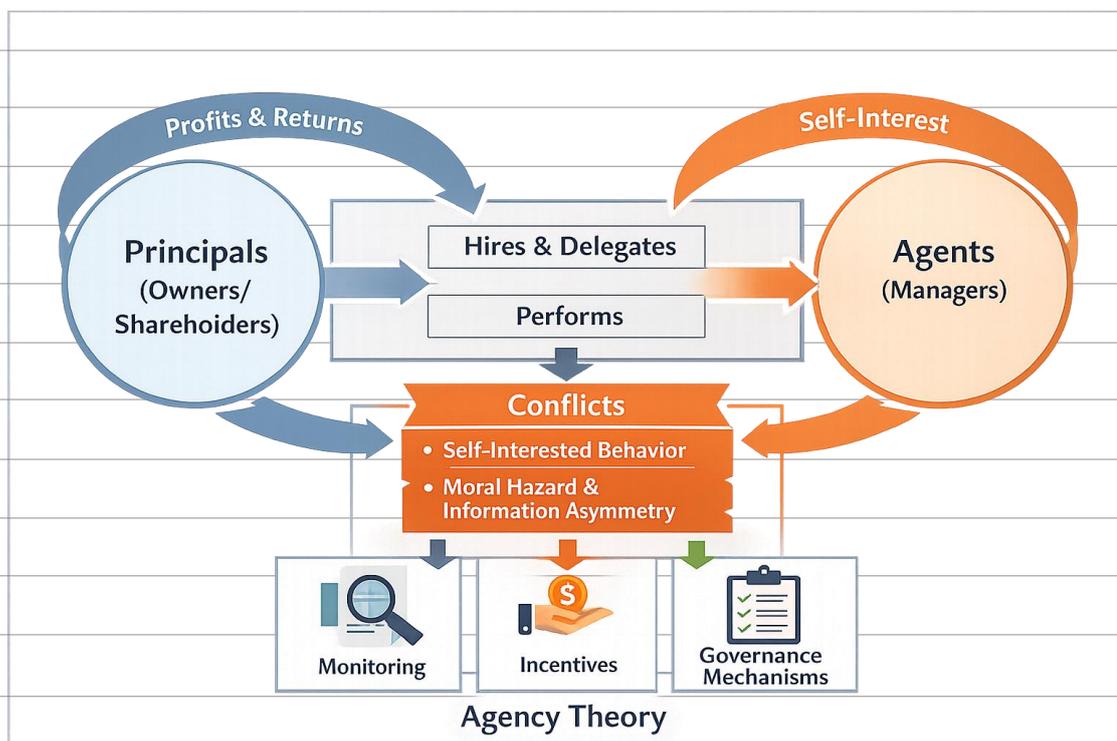
Agency Theory

Difference between Stewardship Theory and Agency Theory

Stewardship Theory vs. Agency Theory

	Stewardship Theory	VS.	Agency Theory
✔ Theoretical Basis	Organizational Psychology and Sociology	✔	Economics
✔ Model of Man	Self-actualizing man	✖	Economic Man
✔ Behaviour	Collective serving	✖	Self Serving
✔ Motivations	Higher level needs (Growth, Self-Actialization Needs)	✖	Lower level needs (Physiological, Security needs) Security needs.)
✔ Performance Criterion	Stakeholder Value Creation	✖	Shareholder Value Creation
✔ Owner-management	Goal alignment	✖	Goal Conflict
✔ Objective	Collectivism	✖	Individualism
✔ Cultural Differences	Low Power Distance	✖	High Power Distance
✔ Time Frame	Long Term	✖	Short Term
✔ Managerial Motivation	Intrinsic	✖	Extrinsic
✔ General Approach to	Trust	✖	Distrust
✔ Managerial Behaviour	Acceptance	✖	Avoidance
✔ Representative Design	Advice as primary board role	✖	Monitoring as primary board role
✔ Locus of Decision Making	Large Discretion for Management decisions	✖	Sharing Decision rights

CHAPTER 5.3- PLANNING, ORGANISING, STAFFING AND LEADING

> PLANNING IS KYA KARNA HAI, ORGANIZING IS KAISE KARNA HAI
> STAFFING MATLAB KAUN KAREGA AND LEADING MATLAB
> SABKO GUIDE AUR MOTIVATE KARKE KAAM KARWANA.

5.3.1 PLANNING

Planning is an **important function of management.** Managers analyse present conditions to determine ways of reaching a desired future state.
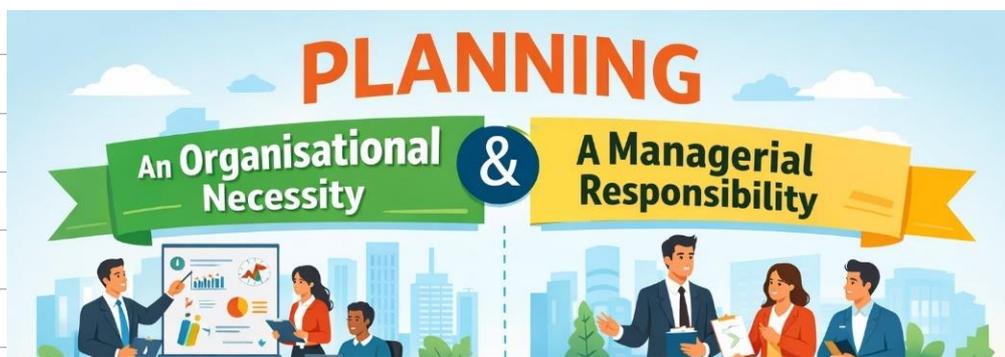
Planning is both an **organisational necessity** and a **managerial responsibility.**

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 twofold: to determine appropriate goals, and to prepare for adoptive and innovative change.

DEFINITIONS	
Harold Koontz & Cyril O'Donnell	Planning is an intellectual process, the conscious determination of course of action, basing of decisions on purpose, facts and considered estimates.
George Terry	Planning is the foundation of most successful actions of all enterprises.
Dalton McFarland	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.

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.

Features of Planning

(i) Primary function of management: Managers decide alternatives, policies, programmes, and actions.

(ii) Goal oriented: It focuses on achieving organisational goals.

(iii) Intellectual process: Theo Haimann says, "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) Pervasive: It is required at all levels of the organisation.

(v) Continuous function: It is an ongoing and never-ending process.

(vi) Involves choice between alternatives: Helps to select the best course of action.

(vii) Concerned with the accomplishment of group objectives: It aims at achieving group and organisational goals.

(viii) Flexible: Plans can be changed as per future situations.

Limitations of Planning:

(i) Inaccuracy: Wrong forecasts, incorrect results.

(ii) Time-consuming: Requires time, effort, and resources.

(iii) Rigidity: Creates inflexibility in policies and procedures.

(iv) Costly: Involves high cost, time, and information.

(v) Attitudes of Management: Managers avoid thinking; prefer action over planning.

(vi) Faulty design of planning system:

- **Lack of reward-** Managers want short run results of performance which have rewards.
- **Lack of participation-** may lead to resistance and resentment.
- **Lack of specific goals-** no effectiveness unless goals are specific and clear.
- **Lack of competent planners-** skill, intelligence, vision and ability to forecast is needed

(vii) Planning prevents innovation: Restricts creativity and flexibility.

(viii) Lack of orientation and training for managers: Managers put off planning as its not exciting and action oriented .

(ix) Uncertainty: Environmental changes reduce effectiveness

Planning remains **mere ritual** as there are **sudden and dramatic changes** in technology, competition, government regulations, political, legal, ethical and social changes.

Prerequisites of Effective Planning

Some general principles can be followed to make planning effective.

- Make plans **simple and easy to understand.**
- Be **selective in the plan**. Successful manager **don't 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**. At the same time, **controversial statements should be avoided/ignored.**

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

(i) Develop accurate forecasts: 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: Necessary to secure the acceptance & commitment and can be done **by soliciting the subordinate's participation in the planning process itself.**

(iii) Plan must be sound one: 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-internally.

(iv) Develop an effective planning organisation: **Having a 'planning organisation'** is crucial as it answers all the questions involved in planning process.

(v) Be objective: **Verify the truth behind the pessimistic (negative) notions** or beliefs. To see that planning is successful, managers must be objective.

(vi) Measure firm's market value: **Measure the total market and see that the organization's share in the market is as large as possible.** For this the manager should estimate the firm's share in the market.

(vi)Decide in advance the criteria for abandoning a project: A **specification must be agreed on in advance** for abandoning the plan.

(vii)Set up a monitoring system: Regular appraisal and review necessary. Every plan should be **refined and restructured on the basis of accurate and timely information.**

(ix) Revise the long-term plans every year: To **match external opportunities with organisational resources** in a proper way. Reasons for under performance or over-performance can be found out.

(x) Fit the plan to the situation: A **change in any part of the environment must be sensed and appropriate strategy must be determined** to cope with the change

Steps in Planning Process

The planning process consists of a series of interrelated steps, which may vary according to the size and complexity of the organization. The basic steps are:

1. **Analysis of Opportunities:** Planning begins with scanning the external and internal environment to identify available opportunities, as goals can be set only after proper analysis.

2. **Establishing Objectives:** Objectives are set for the organization and its departments, providing direction to all major plans.

3. **Determining Planning Premises:** This step involves identifying the environmental assumptions under which plans will operate, focusing only on factors critical to the plan.

4. **Identifying Alternatives:** Various feasible alternatives are identified to achieve objectives, as goals can be accomplished in different ways.

5. **Evaluation of Alternatives:** Alternatives are evaluated in the light of objectives, constraints, and uncertainties.

6. <u>**Selection of the Best Alternative:**</u> *The most appropriate course of action is selected; contingency plans may also be prepared due to future uncertainties.*

7. <u>**Implementing the Plan:**</u> *Implementation involves putting the plan into action and making necessary managerial decisions.*

8. <u>**Reviewing the Plan:**</u> *Plans are reviewed to measure effectiveness, detect deviations, and take corrective actions.*

<u>**Approaches to Planning**</u>

Independent of the above philosophies of planning, four approaches are followed in practice:

<u>**(a) Top-down approach :**</u> *Top management formulates objectives, strategies, policies and plans. Middle and lower managers mainly focus on execution and control.*

<u>**(b) Bottom-up approach :**</u> *Planning proposals originate at supervisory levels and move upward for approval. Top management gives little or no guidance on planning.*

<u>**(c) Composite approach :**</u> *Top management sets broad guidelines, while middle and lower managers prepare tentative plans. Final plans are developed through mutual consultation.*

<u>**(d) Team approach :**</u> *Planning is handled by a selected team under the chief executive. The team analyses problems and opportunities, collects information, prepares proposals, and may monitor performance.*

Types of Plans

Plans are broadly classified into Standing Plans and Single-Use Plans.

(a) Standing Plans: Repetitive plans used for similar situations over a long period. They provide a permanent guide for action, simplify decision-making, and offer solutions to recurring problems. Examples: Objectives, policies, procedures, and rules.

(b) Single-Use Plans: Single-use plans are temporary plans made for a specific purpose and are discarded after the objective is achieved. Examples: Budgets, schedules, and projects.

Planning Premises

Planning premises are basic assumptions about the environment in which plans are expected to be implemented.

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**.

Planning premises can be categorized into three heads -

(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**, and 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.

5.3.2 ORGANISING

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 individuals.

DEFINITIONS	
Koontz and O'Donnell	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 organization structure.
George Terry	**Establishing the effective authority relationships among selected works, persons, and workplaces** in order for the group to work together effectively
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

- Introduction of new employees to the **enterprise**
- Familiarization with **functional tasks** and **people** in the organization
- Large firms usually conduct a **formal orientation programme**
- Orientation programmes are usually conducted by the **HR Department**

Orientation as a function of organizational socialization serves three main purposes:

1. **Acquisition of work skills and abilities**
2. **Adoption of appropriate role behaviour**
3. **Adjustment to the norms and values of the work group**

Placement

- Determination of the **job** to which an accepted candidate is to be assigned
- Actual **assignment of the candidate to that job**

Importance of proper placement:

- Helps in **reducing employee turnover**
- Reduces **absenteeism**
- **Boosts employee morale**

Process of Organising

1. Identifying the Work

Every organisation is created to achieve predetermined objectives. Therefore, it is essential to identify and classify the work required to achieve these goals. Proper identification helps managers focus on important activities and avoids duplication, overlapping, and wastage of effort.

2. Grouping the Work

Dividing work is the essence of organising. Similar and related activities are grouped together to ensure a smooth flow of work. On this basis, departments or divisions are created. Each department is placed under the control of a departmental manager. In large organisations, there may be several departments for each function, while in small organisations, multiple functions may be grouped under one or a few managers.

3. Establishing Formal Reporting Relationships

Organising involves establishing formal reporting relationships among individuals in the organisation. This helps in clearly defining duties, responsibilities, and authority, ensuring clarity and avoiding confusion in work relationships.

4. Providing for Measurement, Evaluation, and Control

The organising function lays the foundation for measurement, evaluation, and control of activities. Control points are established so that individual and group performance can be periodically measured and evaluated, and corrective action can be taken in case of deviations.

5. Delegating Authority and Responsibility

Authority is the right to act and command obedience. While assigning duties, managers must clearly define the authority and responsibility limits so that tasks can be performed effectively.

6. Coordination

Since individuals and departments perform specialised functions, coordination becomes essential. The manager must ensure that all activities are properly coordinated, conflicts are avoided, and all departments function together as a unified whole.

5.3.3 STAFFING

Staffing is defined as the **process of obtaining and maintaining capable and competent people** to fill all positions from top to operative level.

Definitions of Staffing	
Dalton McFarland	**The function by which managers build an organisation through the recruitment, selection, and development of individuals as capable employees.**
Koontz and O'Donnell	**The executive function which involves recruitment, selection, compensating, training, promotion, and retirement of subordinate managers.**
Weirich	**Filling and keeping filled positions in the organisation 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.

Importance of Staffing

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

1. It **facilitates the discovery of competent and qualified people** to take up various positions in the organisation.

2. It **enhances productivity** by placing the right people on the right jobs.

3. It helps in **estimating the future staffing requirements** of the organisation through manpower planning.

4. It **prepares personnel to occupy top positions** within the organisation.

5. It **helps in the development of people** through programmes of training and development.

6. It **enables the organisation to make the best use of the existing workforce**.

7. It **ensures adequate and equitable remuneration** of the workforce.

8. It results in **high employee morale** and job satisfaction by placing the right people on the right jobs.

9. It **makes top management aware of the manpower requirements** arising due to transfer, promotion, turnover, retirement, death, etc., of present employees.

When the staffing function is performed effectively, all the above benefits accrue to the organisation.

Staffing Process

The 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 can achieve its goals effectively.

Even **one wrong decision** in the staffing process can prove **costly** to the entire enterprise, as wrong placement adversely affects overall productivity. The staffing process involves the following steps:

(i) Manpower Planning

Also known as **human resource planning**, manpower planning is defined by **Dale S. Beach** as: "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 to the individuals involved."

Steps in manpower planning:

- Determination of organisational objectives
- Determination of skills and expertise required to achieve these objectives

- *Estimating additional human resource requirements in light of existing manpower*
- *Development of action plans to meet anticipated human resource needs*

The main points in human resource planning include:
- *Current assessment*
- *Future assessment of human resource needs*
- *Development of future programmes and career development*

(ii) Recruitment

Recruitment involves **seeking and attracting a pool of people** from which qualified candidates can be selected. The main task of recruitment is the **development and maintenance of adequate manpower resources**.

According to **Dale Yoder**, recruitment is: "The process of discovering the sources of manpower to meet the requirements of the staffing schedule and employing effective measures to attract manpower in adequate numbers for effective selection."

(iii) Selection

Selection is 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

Training is the process of **increasing the knowledge and skills** of employees for performing a particular job. The objective of training is to **bring about a change in the behaviour** of the employees trained.

(v) Placement and Induction

Placement refers to assigning **rank and responsibility** to an individual and identifying him with a particular job. If the employee adjusts well and performs as expected, placement is considered proper. If adjustment problems arise, the supervisor must assess whether the employee is placed according to his **aptitude and potential**.

Induction refers to the **introduction of the employee to the job and the organisation**. Its purpose is to make the employee feel at home, develop a sense of pride in the organisation, and build commitment to the job. Proper induction helps the employee get off to a **good start**, improves effectiveness, and enhances overall potential.

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. <u>People from within are generally upgraded whenever any vacancy arises.</u>

By reviewing the personnel records and skills, the manager would be in a position to know the suitable candidates for the vacant position. Transfers and promotions of present employees are the basic internal sources of recruitment. Further, inside moonlighting and employees' friends and relatives are also given a chance to serve the organisation, if any new vacancy arises.

Merits of Internal Sources of Recruitment

i. Recruitment from within encourages the employees to work efficiently to reach top positions.

ii. The organisations would be able to choose the right people for the vacant positions on the basis of the track records of the employees.

iii. Employees need little training as they know the major operations and functions of the organisation.

iv. The expenditure is relatively less when compared to external sources of recruitment.

v. Internal recruitment improves the morale of the employees as they are sure that they would be preferred over the outsiders for higher positions.

Limitations of Internal Sources of Recruitment

i. 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 and the organisation may be deprived of young talent that flows into the industry.

ii. The internal sources of recruitment promote sycophancy and favoritism. Workers may be recruited not because of their suitability for the jobs but because they may maintain good relations with the top management.

iii. The skills of existing employees may become obsolete and the organisation may have to resort to external recruitment inevitably.

iv. One universally accepted disadvantage of internal recruitment is the **Peter Principle**, which states that people are promoted until they finally reach 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 specialization.

Important External Sources of Recruitment

1. **Employment Exchanges**: Employment exchanges run by the government are regarded as a potential source of recruitment especially for unskilled, semi-skilled and skilled operative jobs.

2. **Advertisement**: Advertisement in newspapers or trade and professional journals is another popular source of recruitment especially for senior positions to lower-middle level positions.

3. **Educational Institutions**: Recruitment through educational institutions is also known as campus recruitment.

4. **Employee Walk-ins**: Some people send unsolicited applications to organisations enjoying goodwill and reputation. Organisations, if they find necessary, can consider these applicants for suitable positions.

5. **Employee Referrals**: Some organisations prefer using employees as a source of recruitment. They maintain an informal system of recruitment where word-of-mouth is preferred over a formal system.

6. **Miscellaneous**: Among other methods of recruitment, **gate hiring** is the most popular one in which people are hired at the factory gate itself.

Merits of External Sources of Recruitment

i. Organisations can choose from a wider spectrum under external sources of recruitment. The number of applicants would be very large and the organisation can choose better candidates after careful evaluation.

ii. Organisations can avoid bias by following external sources of recruitment objectively, as there is less scope for subjective judgment.

Limitations of External Sources of Recruitment

i. Personnel chosen from external sources may cause dissatisfaction among existing employees. It would be demoralizing when outsiders are considered for top positions.

ii. External sources of recruitment are quite costly to the enterprise. Firms have to spend heavily on advertisements, interview expenses, and often the response may be disappointing, leading to wastage of resources.

Selection

Selection is one of the most **crucial stages in the staffing process**. It is considered vital because any error in selection may prove to be **costly to the organisation**. Due to its importance and long-term impact on organisational performance, selection occupies a prominent place in management literature.

Selection is described as a **process of rejection** and is therefore called a **negative process**. It divides applicants into two groups—those who are selected and those who are rejected. Hence, a manager must exercise **special care, judgment, and skill** while selecting candidates for employment.

The selection process is usually a **long and systematic procedure** consisting of the following steps:

1. Application Blank

Every candidate is required to fill in an application blank to provide a **written record of qualifications, experience, personal details, and other relevant information**. An application blank serves as a **personal history questionnaire** and helps management in the preliminary assessment of candidates.

2. Preliminary Interview

Preliminary interviews are conducted to **eliminate unsuitable candidates at the initial stage**. These interviews are generally brief and help in screening out applicants who do not meet basic requirements. A large number of candidates are rejected at this stage, which helps the organisation save time and expenses involved in further processing.

3. Employment Tests

Employment tests are conducted to match an individual's **mental and physical abilities with job requirements**. These tests include intelligence tests, aptitude tests, proficiency tests, personality tests, and tests of interests and hobbies. In recent times, **psychological tests** have gained prominence in the selection process to assess the overall suitability of candidates.

4. Final Interview

The final or evaluation interview is one of the **most important steps** in the selection process. Through a face-to-face interaction, a careful assessment of the candidate's **strengths, weaknesses, attitude, and suitability** for the position is made. This interview also allows the candidate to understand the **terms and conditions of employment, organisational policies, and employer-employee relationships**.

5. Background Investigation

Before final selection, organisations usually conduct a **background investigation**. Candidates are required to provide references in their bio-data. Referees are important sources of information regarding the candidate's **integrity, stability, character, and personality**. Organisations may also verify past employment, financial condition, police records, and personal reputation to ensure the authenticity of the candidate's credentials.

6. Medical Examination

A medical or physical examination is conducted to assess the **physical fitness of the candidate**. This step helps in identifying medically unfit candidates and ensures that the selected employees are capable of performing their duties effectively.

7. Final Selection and Placement

Candidates who successfully clear all stages of the selection process are formally selected and appointed. An **appointment letter** is issued specifying the **terms and conditions of employment**, such as pay scale, probation period, starting salary, allowances, and other benefits. After appointment, the candidate is placed in the appropriate position in the organisation.

Training and Development

One of the important managerial activities in modern organisations is **training and development programmes**.

Generally, organisations first recruit and select employees and then provide them training to increase their **versatility, knowledge, adaptability, and skills**, so that the jobs they perform become more effective and 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 particular job environment. Training constitutes a **significant part of an 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:

1. To increase the productivity of the workforce.
2. To improve the quality of products being manufactured.
3. To help the organisation fulfil its future personnel needs.
4. To improve the health of workers.
5. To promote safety of workers on the job.
6. To prevent the obsolescence of employees at work.
7. To maintain the personal growth of employees in the enterprise.
8. To improve the 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 productive for himself and for the organisation of which he is a part."

Training normally concentrates on the improvement of: **Operative skills**, **Interpersonal skills**, and **Decision-making skills**, or a combination of these skills.

Operative skills for the successful completion of a given task.

Interpersonal skills for maintaining effective relationships with peers and subordinates.

Decision-making skills relate to identifying problems and prescribing appropriate solutions.

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:

A. On-the-job Training

B. Off-the-job Training

A. ON-THE-JOB TRAINING

Begins the **first day when an employee starts his job**. Normally given by the **superior or supervisor** and there is **no artificial location**. Everything is a reality.

Methods employed in On-the-job Training

- Coaching
- Apprenticeship training
- Job rotation
- Vestibule training
- Self-improvement programmes

Merits of On-the-job Training

1. Trainee learns in the **actual working environment** rather than in an artificial environment.

2. The trainee observes the **rules, regulations, and systems** being followed in day-to-day organisational life.

3. 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

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

2. 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, it is quite likely that the machine would go out of order within no time. This would be costly to the enterprise.

3. The productivity of employees who are undergoing training on-the-job would be **dismal and disappointing**. Further, it affects the flow of work when the production undergoes different processes.

4. 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 for **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**.

Methods of Off-the-job Training

- 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. 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. It 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 computerized technologies or improved and 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, the 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 that they are receiving quality training.

6. As many courses or seminars invite employees from other companies to attend, this allows employees to **network and perhaps drum-up business**.

Demerits of Off-the-job Training

1. Depending on the course, the overall cost could prove **quite expensive**. Many courses may require overnight stay at a hotel if the course is outside the area, or the course itself may be expensive due to the level of expertise or equipment required.

2. As there is no real way to know the abilities of the trainer and their subject knowledge, there is **no guarantee** that sufficient skills or knowledge will be transferred or prove valuable.

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

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

Placement, Orientation and Induction

After a candidate is selected for a particular job in an organisation, the next step in the staffing process is to **induct him into his new job**. Placement and induction together represent the **last stage in the staffing process**.

Orientation

Orientation involves the **introduction of new employees to the enterprise**, its functional tasks, and the people working in the organisation. Large firms usually conduct a **formal orientation programme**, which is generally handled by the **Human Resource Department**.

Orientation acts as a function of **organisational socialisation** and serves the following three main purposes:

(i) Acquisition of work skills and abilities

(ii) Adoption of appropriate role behaviour

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

Placement

Placement refers to the **determination of the job to which an accepted candidate is to be assigned** and his assignment to that job. Proper placement is instrumental in **reducing employee turnover and absenteeism** and in **boosting employee morale**.

At the time of placement, the selected candidate is provided with a copy of the **policies, procedures, rules, and regulations** of the enterprise. The candidate is also given a **clear and unambiguous description of the job**, including the nature of duties assigned, to whom he is accountable, and who are accountable to him.

Thus, the employee becomes aware of the **authority-responsibility-accountability relationships** within the organisation.

5.3.4 LEADING

Leading is one of the **basic functions of management**. According to **Richard Daft**, "Leading is the use of influence to motivate employees to achieve organizational goals."

Managers must be capable of making employees **willing to participate** in achieving the goals of the organisation.

Leading is the process through which managers **direct, influence, and motivate** employees so that organisational objectives can be achieved. The leading function helps the organisation move **towards goal attainment**.

The leading function consists of the following three components:

- **Motivating employees**
- **Influencing employees**
- **Forming effective groups**

Leading involves the **social and informal sources of influence** used by managers to inspire action in others. If managers are effective leaders, their subordinates will be **enthusiastic and willing to exert effort** to achieve organisational objectives.

The **behavioural sciences** have made significant contributions to the understanding of the leading function. Research on **personality** and **job attitudes** provides valuable insights into how managers can effectively lead their subordinates.

To become effective leaders, managers must first understand their subordinates' **personalities, values, attitudes, and emotions**.

Studies of **motivation and motivation theories** explain how employees can be energized to put forth **productive effort**.

Studies of **communication** provide guidance on how managers can communicate **effectively and persuasively**.

Studies of **leadership and leadership styles** help answer important questions such as:

- What makes a manager a good leader?
- In which situations are certain leadership styles most appropriate and effective?

CHAPTER 5.4 – COMMUNICATION, COORDINATION, COLLABORATION, MONITORING AND CONTROL

COMMUNICATION se pata chalta hai KYA KARNA HAI,
COORDINATION batata hai KAUN KAREGA,
COLLABORATION strengthen karta hai KAISE KARE,
MONITORING AND CONTROL ensure karta hai SAB SAHI HO RAHA

5.4.1 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** among 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 the workforce** in organisations. Communication is a **process of passing information and understanding from one person to another**.

Author	Definition
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	Communication is the "process whereby decisional premises are transmitted from one member of an organisation to another."
Newman and Summer	"Communication is an exchange of facts, ideas, opinions or emotions by two or more persons."
Louis A. Allen	Communication is "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**.

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 a **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 organisation may get info-sclerosis, 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 on it**.
- Effective communication is the **substance of good management**; communication is **not a substitute for good management**.

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, signaling, 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, non-verbal 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

Decoding 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, and 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

The communication process includes feedback also. Feedback is essential to see that no distortion between the intended message and the received message exists.

8. Noise

Noise is a disturbance that tends to obstruct the smooth flow of communication & reduces the clarity of the message. It may be because of poor network, inattention of receiver, etc.

Types of Organisational Communication

Communication may be of several types. On the basis of the relationship between the parties communicating with each other, 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 grows 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 group discussions, and grapevine**. On the other hand, written communication is a **formal method of putting orders, instructions, and reports in writing**. It creates a **record of evidence**.

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 the way to strained relations and frictions among the employees. This detrimentally affects the morale of the employees.

Some of the barriers to communication are:

(i) Filtering

The information may be filtered by the sender deliberately to mislead the receiver. A manager filters the information by hiding some meaning and disclosing it 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

Here the fault lies in the receiver who may indulge in selective perception. The receiver may like to perceive what he is interested in. Perceptual selection may sometimes lead to perceptual distortion. Perceptual distortions and fallacies may become endemic and vitiate the entire system. This affects 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 expressions used in communication may distract attention from the actual meaning of the message. Moreover, the tendency of people to interpret the same message in different ways may also act as a semantic barrier.

(v) Emotions

Emotions of both the sender and the 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 like jubilation or depression have the probability of hindering the effectiveness of communication.

(vi) Information Overload

When managers furnish heavy information to subordinates, they become unable to distinguish between important and unimportant information. In this way, the entire exercise of communicating becomes redundant and wasteful.

(vii) Non-verbal Cues

Non-verbal cues are very important sources of hindering the message, especially when these cues are inconsistent with the message. Normally, the receiver expects some consistency between non-verbal cues and the message being transmitted.

(viii) Time Pressures

Often in organisations, 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 communication.

Effective Communication

In order to make communication effective, it is absolutely essential for 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 that emotions do not cloud and distort the message
- Understand the non-verbal cues

5.4.2 Coordination

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 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 a 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-coordinated 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 synchronization of efforts of the subordinates** to provide the proper amount, timing, and quality of execution so that their unified efforts lead to the stated objective, namely the common purpose of the enterprise. 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 controlling. Thus, according to them, coordination is not a separate function of management, as it traverses the entire process of managing. It is, therefore, the **essence of management**.

Features of Co-ordination

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

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

(iii) 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.

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

(v) Coordination is a **continuous or ongoing 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 for 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 cooperative efforts. It recognises the diversity and interdependence of organisational systems and the need for fusion and synthesis of efforts.

Principles of Coordination

Principles for achieving effective coordination can be enumerated as below:

1. 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.

2. 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.

3. Principle of Direct Contact

According to this principle, all managers must have 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.

4. 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**. Coordination will be successful only if this principle is followed properly.

5. Principle of Effective Communication

Coordination will be successful only in the presence of effective communication. Good communication must be present between all departments, within employees themselves, and even between managers and their subordinates.

6. Principle of Clarity of Objectives

Coordination will be successful only if the organisation has set 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.

5.4.3 Collaboration

Collaboration is a concept and method by which teams can work together very successfully. Bringing together a team of experts from across the business would seem to be a best practice in any situation. However, **Gratton and Erickson**, in their article *Eight Ways to Build Collaborative Teams*, found that collaboration seems to decrease sharply when a team is working on complex project initiatives. In their study, they examined **55 larger teams** and identified those with strong collaboration skills, despite the level of complexity.

There were **eight success factors** for having strong collaboration skills:

- "Signature" relationship practices
- Role models of collaboration among executives
- Establishment of "gift" culture, in which managers mentor employees
- Training in relationship skills
- A sense of community
- Ambidextrous leaders good at task and people leadership
- Good use of heritage relationships
- Role clarity and low ambiguity

As teams grow in size and complexity, the standard practices that worked well with small teams do not work anymore. Organizations need to think about how to make collaboration work, and they should leverage the above best practices to build relationships and trust.

Modes of Collaboration

Different modes of collaboration involve different strategic trade-offs. Companies that choose the wrong mode risk falling behind in the relentless race to develop new technologies, designs, products, and services. In this context, the issue of **collaborative architecture** has paramount significance, as it aligns a firm's structure with organizing principles.

To help senior managers make better decisions about the kinds of collaboration their companies adopt, **Gary P. Pisano and Roberto Verganti** proposed a relatively simple framework published in *Harvard Business Review*, December 2008, titled *"Which Kind of Collaboration Is Right for You?"*.

The framework rests on two questions:

- Given your strategy, how open or closed should your firm's network of collaborators be?
- Who should decide which problems the network will tackle & which solutions will be adopted?

According to them, collaboration networks differ significantly in the degree to which membership is open to anyone who wants to join. In totally open collaboration, or **crowdsourcing**, everyone—suppliers, customers, designers, research institutions, inventors, students, hobbyists, and even competitors—can participate.

Collaboration networks also differ fundamentally in their form of governance. In some, the power to decide which problems are most important, how they will be solved, what constitutes an acceptable solution, and which solutions should be implemented is completely vested in one firm in the network, called the **"kingpin."** Such networks are hierarchical. Other networks are flat, where the players are equal partners in the process and share the power to decide key issues.

Basic Modes of Collaboration

There are four basic modes of collaboration:

- A closed and hierarchical network (an elite circle)
- An open and hierarchical network (an innovation mall)
- An open and flat network (an innovation community)
- A closed and flat network (a consortium)

	Innovation Mall	Innovation Community	
PARTICIPATION	**Innovation Mall** A place where a company can post a problem, anyone can propose solutions, and the company chooses the solutions it likes best **Example:** InnoCentive.com website, where companies can post scientific problems	**Innovation Community** A network where anybody can propose problems, offer solutions, and decide which solutions to use **Example:** Linux open-source software community	**Open**
	Elite Circle A select group of participants chosen by a company that also defines the problem and picks the solutions **Example:** Alessi's handpicked group of 200-plus design experts, who develop new concepts for home products	**Consortium** A private group of participants that jointly select problems, decide how to conduct work, and choose solutions **Example:** IBM's partnerships with select companies to jointly develop semiconductor technologies	**Closed**
	GOVERNANCE		
	Hierarchical	**Flat**	

Source:- Gary P. Pisano and Roberto Verganti, HBR, December, 2008

	PARTICIPATION	
Innovation Mall	**Innovation Community**	**Open** **Advantage:** You receive a large number of solutions from domains that might be beyond your realm of experience or knowledge, and usually get a broader range of interesting ideas. **Challenge:** Attracting several ideas from a variety of domains and screening them. **Enablers:** The capability to test and screen solutions at low cost; information platforms that allow parties to constibute easily; small problems that can be solved with simple design tools, or large problems that can be broken into discrete parts .
Elite Circle	**Consortium**	**Closed** **Advantage:** You control the direction of innovation and who captures the value from it. **Challenge:** Choosing the right direction. **Enablers:** The capability to understand user needs; the capability to design systems so that work can be divided among outsiders and then integrated.

GOVERNANCE

Hierarchical	**Flat**
Advantage: You control the direction of innovation and who captures the value from it. **Challenge:** Choosing the right direction. **Enablers:** The capability to understand user needs; the capability to design systems so that work can be divided among outsiders and then integrated.	**Advantage:** You share the burden of innovation. **Challenge:** Getting contributors to converge on a solution that will be profitable to you. **Enablers:** Processes and rules that drive parties to work in concert to achieve common goals.

Source:- Gary P. Pisano and Roberto Verganti, HBR, December, 2008

5.4.4 Monitoring

Monitoring is the **systematic process of collecting, analyzing and using information to track a programme's progress toward reaching its objectives and to guide management decisions.** Monitoring is really helpful for ensuring that the objectives of the activity or project or business is achieved as per target.

Gosling and Edwards (2003) defined monitoring as **"systematic and continuous collecting and analysing of information about the progress of a piece of work over time"**

Monitoring is done to ensure that **all the people who need to know about a development intervention are properly informed about it.** It is also done so that management decisions can be taken in a timely manner.

Traditionally, **monitoring differs from evaluation** because it is carried out by internal rather than external staff, it is ongoing rather than periodic, and it focuses more on activities and outputs than on outcomes and impact. In addition, monitoring usually relies on a system, rather than being a one-off exercise carried out at a specific point in time.

Significance of Monitoring

a. Monitoring results in **better transparency and accountability**
b. Monitoring helps organizations to **detect problems early**
c. Monitoring **ensures resources are used efficiently**
d. It **helps organizations learn from their mistakes**
e. Monitoring **improves decision making**
f. It helps organization to **stay organized**
g. Monitoring **helps organizations replicate the best projects/programs**
h. It **encourages diversity of thought and opinions**

Purposes of Monitoring

However, depending on its application purposes, monitoring may take various dimensions. In different circumstances, monitoring can also serve several other purposes. Some of the more common are:

- **Providing managers, staff and other stakeholders with information on the progress** being made towards stated goals and objectives in order to demonstrate accountability to different stakeholders
- Providing information that **enables approaches and strategies to be changed in response to evolving situations**
- **Identifying whether there is a need to change goals, objectives, plans or budgets over time**
- **Testing project or programme assumptions** on a regular basis
- Identifying the **need for further information or research**
- Providing **information that enhances ongoing learning**, both within and outside a project or programme
- Demonstrating or **communicating activities and changes to other audiences for marketing** or fundraising purposes

Types of Monitoring

There are many different types of monitoring. Some of the most common types are described below. However, these are known by different names in different organisations.

Process or Performance Monitoring: It focuses on the activities carried out as part of a development intervention. It is designed to assess whether and/or how well those activities are being implemented. It also covers the use of resources. **Process monitoring is designed to provide the information needed to continually plan and review work, assess the success or otherwise of the implementation of projects and programmes, identify and deal with problems and challenges, and take advantage of opportunities as they arise.**

Results or Impact Monitoring: It aims to assess the changes brought about by a project or programme on a continuous basis. Often this means assessing changes in a target population (e.g. individuals, communities, supported organisations, targeted decision-makers). Impact monitoring can be used to assess progress towards goals and objectives, as well as unintended change. Despite the name, impact monitoring is more often associated with changes at outcome, rather than impact, level.

Beneficiary Monitoring: It is a specific type of impact monitoring that aims **to track the perceptions of project or programme beneficiaries** (IRC 2011). It can include beneficiary feedback mechanisms and beneficiary complaints mechanisms.

Situation Monitoring: It is concerned with **monitoring the external environment**. Sometimes this is done through defining and collecting indicators relating to issues such as the local political situation, changes in the economy, and the activities of other development actors. At other times, situation monitoring simply means **keeping eyes and ears open in order to assess what is happening outside of a project or programme that might influence it**.

Financial Monitoring: It is concerned with the **monitoring of budgets and finance, and is linked to auditing**. It is usually concerned with tracking costs against defined categories of expenditure.

Administrative or Logistics Monitoring: It covers issues such as the **maintenance of premises, transport, personnel, stock-keeping, and other forms of administration.**

Compliance Monitoring: It is designed to **ensure compliance with issues such as legal regulations, grant or contract requirements, government regulations, and ethical standards.**

Steps of Monitoring Process

Based on the types of monitoring, steps of monitoring process may differ significantly. However, common steps of monitoring process are as follows:

1. Planning

Information generated through monitoring can result in changed plans immediately, whereas evaluation only feeds into changed plans at periodic intervals. Both **process and impact monitoring** may involve assessing unexpected change, but they are also closely concerned with monitoring progress against **pre-planned objectives, activities, indicators, milestones and targets**. Process monitoring is often associated with **short-term plans** dealing with activities.

These can include **annual, quarterly, monthly and weekly activity plans**, often with associated budgets. The purpose of much monitoring is to ensure that plans are being delivered as expected, and to take appropriate action where they are not.

2. Collecting Information

Sometimes information is collected through **formal tools** such as semi-structured interviews, structured observation and focus group discussions. A lot of monitoring also involves the **routine collection and recording of numeric data** on predefined templates. During monitoring, information is routinely collected on **pre-defined objectives and indicators**, or activities described in activity plans. However, information can also be collected on activities and changes that were not anticipated, or changes in the wider environment that might affect a project or programme.

3. Recording Information

Some monitoring information can be acted on immediately. For example, if there is **low attendance at community meetings** in the morning then meetings can be switched to the afternoon. Often, however, monitoring information needs to be recorded so that it can be **stored, shared, analysed, reported or used at a later date**. Another form of recording covers the production of **minutes or descriptions of meetings** attended by different stakeholders. Meeting minutes can be used to ensure that everyone has the same understanding of the points raised, or agreements made.

4. Storing Information

Some monitoring systems can result in a **very large amount of information** being collected and recorded. This information needs to be stored appropriately so that it can be **retrieved and used for different purposes** as and when necessary. The type of storage system depends heavily on the type of information collected.

5. Analysing Information

Analysis processes range from producing **tables and graphs** that summarise statistical information through to generating **lessons and trends** from large amounts of qualitative data.

Many simple monitoring tools are designed to enable **basic data analysis**. For example, **Gantt charts or other simple monitoring charts** are designed to track project and programme activities over time, and compare this with planned or predicted progress.

6. Sharing Information

Monitoring data, once collected, recorded, stored and analysed, often needs to be **shared with different stakeholders** if it is to be useful. These stakeholders may include **staff or managers**, beneficiaries, partners, donors, or any other kind of stakeholder. It is important to know **who needs (or would like) which information, when and where**. Otherwise there is a risk of people becoming overwhelmed with information that they do not need and cannot use.

7. Reporting Information

Reporting information is just one way of **sharing information** through both internal as well as external mechanisms like **published reports, circulars and electronic disclosures**.

8. Using Information

Monitoring information can be used in many ways. The **key purpose** is to make changes, where necessary, to **plans, budgets or targets**, or to modify working approaches, especially when projects and programmes are operating in difficult or constantly changing environments.

Monitoring data can help firms be **accountable to their own partners, communities and beneficiaries**, as well as donors and supporters. Monitoring data may also support **institutional learning**, contribute to **marketing and public relations**, provide **evidence for advocacy**, and inform **resource allocation decisions**.

Finally, monitoring information gathered during a project or programme is often used during **later evaluations and/or formal reviews**.

5.4.5 Control

From president to supervisor, **controlling** is the function that is performed utmost carefully by every 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 takes **corrective action**.

DEFINITIONS	
Anthony	Process by which managers assure that recourses are obtained and used effectively and efficiently in the accomplishment of the organisational objectives.
Haynes & Massie	Control is any process that guides activity toward some predetermined goal.
Hicks & Gullet	Controlling is the process by which management sees if what did happen was what was supposed to happen. If not, necessary adjustments are made
Koonts & O'Donnell	Managerial control implies the measurement of accomplishment against the standard, and the correction of deviations to assure attainment of objectives according to plans."

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.

The Control Process

A control system follows the following sequence

(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 Lufthansa** 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 an 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 rectification 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

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 of 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 practiced by managers in organizations. 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 should 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.

Types of Control

Three types of control systems are used by Modern organisations, namely

(i) Historical (or) Feedback control

(ii) Concurrent control

(iii) Predictive or 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.

Feedback 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. Feedback 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.

(ii) 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.

(iii) 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 erected by absenteeism.

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 utilize 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 organizational 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.

Principles of Control

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

1. 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.

2. Principle of future-directed controls

The more a control system is based on feed forward 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.

3. 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.

4. Principle of efficiency of control

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.

5. 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.

6. 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.

7. 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 organization 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.

8. Principle of individuality of control

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; at least they should be intelligible to them and within their power of understanding.

9. 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 cam the respect of people who have to abide by them.

10. 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.

11. 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.

12. Principle of flexibility of control

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.

13. Principle of action

Control is justified only if indicated or experienced deviations from plans are corrected through appropriate planning, organising. staling and leading. The principle affirms the essential unity of management.

Techniques of Control

Managers use different methods and systems to exercise 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.

1. Budgetary Control

"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." Budgets are useful as tools of control to the extent that they, permit, monitoring, measurement, evaluation, regulation and correction of enterprise activity along desired pre determinate 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.

(ii) 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 epitomize 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 be helpful to managers in carrying out the planning, controlling and operational functions by gathering 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 systematize 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 organization'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:

(1) 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.

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

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

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

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

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

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

CHAPTER 5.5 – ORGANISATION STRUCTURE, RESPONBILITY, ACCOUNTABILITY AND DELEGATION OF AUTHORITY

ORGANISATION KA STRUCTURE KAISE BANTA HAI, AUTHORITY–RESPONSIBILITY–ACCOUNTABILITY KAISE FLOW KARTI HAI, AUR DELEGATION, CENTRALISATION–DECENTRALISATION SE MANAGEMENT KA SYSTEM KAISE SMOOTHLY CHALTA HAI.

5.5.1 ORGANIZATION STRUCTURE

An organisation structure **shows the authority and responsibility relationships between the various positions in the organisation by showing who reports to whom**. Organisation involves establishing an appropriate structure for the goal seeking activities. It is an established pattern of relationship among the components of the organisation. March and Simon have stated that– "Organisation structure consists simply of those aspects of pattern of behaviour in the organisation that are relatively stable and change only slowly." The structure of an organisation is generally shown on an organisation chart. It shows the authority and responsibility relationships between various positions in the organisation while designing the organisation structure, due attention should be given to the principles of sound organisation.

Significance of Organisation Structure

1. Properly designed organisation can help **improve teamwork and productivity** by providing a framework within which the people can work together most effectively.

2. Organisation structure **determines the location of decision-making** in the organisation.

3. Sound organisation structure **stimulates creative thinking and initiative** among organisational members by providing well defined patterns of authority.

4. A sound organisation structure **facilitates growth of enterprise** by increasing its capacity to handle increased level of authority.

5. Organisation structure **provides the pattern of communication and coordination**.

6. The organisation structure **helps a member to know what his role is** and how it relates to other roles.

Principles of Organisational Structure

The following are the main principles that a manager has to keep in mind while formulating an organisational structure.

1. <u>Consideration of unity of objectives:</u> The objective of the undertaking influences the organisation structure. There must be unity of objective so that all efforts can be concentrated on the set goals.

2. <u>Specialisation:</u> Effective organisation must include specialisation. Precise division of work facilitates specialisation.

3. <u>Co-ordination:</u> Organisation involves division of work among people whose efforts must be co-ordinated to achieve common goals. Co-ordination is the orderly arrangement of group effort to provide unity of action in the pursuit of common purpose.

4. <u>Clear unbroken line of Authority:</u> It points out the scalar principle or the chain of command. The line of authority flows from the highest executive to the lowest managerial level and the chain of command should not be broken.

5. <u>Responsibility:</u> Authority should be equal to responsibility i.e., each manager should have enough authority to accomplish the task.

6. <u>Efficiency:</u> The organisation structure should enable the enterprise to attain objectives with the lowest possible cost.

7. <u>Delegation:</u> Decisions should be made at the lowest competent level. Authority and responsibility should be delegated as far down in the organisation as possible.

8. <u>Unity of Command:</u> Each person should be accountable to a single superior. If an individual has to report to only one supervisor there is a sense of personal responsibility to one person for results.

9. <u>Span of Management:</u> No superior at a higher level should have more than six immediate subordinates. The average human brain can effectively direct three to six brains (i.e., subordinates).

10. <u>Communication:</u> A good communication sub-system is essential for smooth flow of information and understanding and for effective business performance.

11. <u>Flexibility:</u> The organisation is expected to provide built in devices to facilitate growth and expansion without dislocation. It should not be rigid or inelastic.

Formal and Informal Organisation

The **formal organisation refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management**. This type of organisation

is built by the management to realise objectives of an enterprise and is bound by rules, systems and procedures. Everybody is assigned a certain responsibility for the performance of the given task and given the required amount of authority for carrying it out. **Informal organisation, which does not appear on the organisation chart, supplements the formal organisation in achieving organisational goals effectively and efficiently**. The working of informal groups and leaders is not as simple as it may appear to be. Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organisation and to use them for achieving organisational objectives.

1. **Formal Organisation:** Chester I Bernard defines formal organisation as – "a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability." The essence of formal organisation is conscious common purpose and comes into being when persons:

(a) Are able to communicate with each other

(b) Are willing to act, and

(c) Share a purpose.

The formal organisation is built around four key pillars. They are:

(a) Division of labour

(b) Scalar and functional processes

(c) Structure, and

(d) Span of control

Thus, a formal organisation is one **resulting from planning where the pattern of structure has already been determined by the top management.**

2. **Informal Organisation:** Informal organisation refers to the relationship between people in the organisation based on personal attitudes, emotions, prejudices, likes, dislikes etc. an informal organisation is an organisation which is not established by any formal authority, but arises from the personal and social relations of the people.

These relations are not developed according to procedures and regulations laid down in the formal organisation structure; generally large formal groups give rise to small informal or

social groups. These groups may be based on same taste, language, culture or some other factor. These groups are not pre-planned, but they develop automatically within the organisation according to its environment.

Forms of Organisation

Organisation requires the creation of structural relationship among different departments and the individuals working there for the accomplishment of desired goals. Organisation structure is primarily concerned with the allocation of tasks and delegation of authority. The establishment of formal relationships among the individuals working in the organisation is very important to make clear the lines of authority in the organisation and to coordinate the efforts of different individuals in an efficient manner. According to the different practices of distributing authority and responsibility among the members of the enterprise, several types of organisation structure have been evolved. They are:

1. Line organisation
2. Line and staff organisation
3. Functional organisation
4. Committee organization

Line Organisation

This is the simplest and the earliest form of organisation. It is also known as **"Military"**, **"traditional", "Scalar" or "Hierarchical" form of organisation.** The line organisation represents the structure in a **direct vertical relationship** through which authority flows. Under this, the **line of authority flows vertically downward from top to bottom throughout the organisation.**

The quantum of authority is highest at the top and reduces at each successive level down the hierarchy. All major decisions and orders are made by the executives at the top and are handed down to their immediate subordinates who in turn break up the orders into specific instructions for the purpose of their execution by another set of subordinates. A direct relationship of authority and responsibility is thus established between the superior and subordinate. The superior exercises a direct authority over his subordinates who become entirely responsible for their performance to their commanding superior. Thus, in the line

organisation, the line of authority consists of an uninterrupted series of authority steps and forms a hierarchical arrangement. The line of authority not only becomes the avenue of command to operating personnel, but also provides the channel of communication, coordination and accountability in the organisation.

Prof. Florence enunciates three principles which are necessary to realise the advantages of this system and the non-observance of which would involve inefficiency.

1. Commands should be given to subordinates through the immediate superior; there should be no skipping of links in the chain of command.
2. There should be only one chain. That is, command should be received from only one immediate superior.
3. The number of subordinates whose work is directly commanded by the superior should be limited.

Advantages or Merits of Line Organisation

1. It is the **easiest to establish and simplest to explain** to the employers.
2. It **fixes responsibility** for the performance of tasks in a definite manner upon certain individuals.
3. There is **clear-cut identification of authority and responsibility** relationship. Employees are fully aware of the boundaries of their job.
4. It is **most economical and effective.**
5. It **makes for unity of control** thus conforming to the scalar principle of organisation.
6. It **ensures excellent discipline in the enterprise** because every individual knows to whom he is responsible. The subordinates are also aware of the necessity of satisfying their superior in their own interests.
7. It **facilitates prompt decision-making** because there is definite authority at every level.
8. As all the activities relating to one department or division are managed by one executive, there can be **effective coordination of activities.**
9. This system is **flexible or elastic**, in the sense that, as **each executive has sole responsibility** in his own position and sphere of work, he can easily adjust the organisation to changing conditions.

10. Under this system, **responsibility and authority are clearly defined**. Every member of the organisation knows his exact position, to whom he is responsible and who are responsible to him. Because of the clear fixation of responsibility, no person can escape from his liability.

Disadvantages or Demerits of Line Organisation

1. Makes the superiors too overloaded with work. Since all work is done according to the wishes of one person alone, the efficiency of the whole department will come to depend upon the qualities of management displayed by the head of that department. **If therefore, something happens to an efficient manager, the future of the department and of the concern as a whole would be in jeopardy.**

2. Being an autocratic system, it may be operated on an **arbitrary**, opinionated and dictatorial basis.

3. The **subordinates should follow the orders of their superior without expressing their opinion on the orders.** That means there is limited communication.

4. There may be a good deal of **nepotism and favouritism**. This may result in efficient people being left behind and inefficient people getting the higher and better posts.

5. The line organisation **suffers from lack of specialised skill of experts**. Modern business is so complex that it is extremely difficult for one person to carry in his head all the necessary details about his work in this department.

6. Line organisation is **not suitable to big organisations** because it does not provide specialists in the structure. Many jobs require specialised knowledge to perform them.

7. **If superiors take a wrong decision**, it would be carried out without anybody having the courage to point out its deficiencies.

8. The organisation is **rigid and inflexible.**

9. There is **concentration of authority** at the top. If the top executives are not capable, the enterprise will not be successful.

Line and Staff Organisation

In line and staff organisation, the line authority remains the same as it does in the line organisation. Authority flows from top to bottom. The main difference is that specialists are attached to line managers to advise them on important matters. These specialists stand ready

with their speciality to serve line mangers as and when their services are called for, to collect information and to give help which will enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organisation as they are employed to provide expert advice to the line officers. The combination of line organisation with this expert staff constitutes the type of organisation known as line and staff organisation. The 'line' maintains discipline and stability; the 'staff' provides expert information. The line gets out the production, the staffs carries on the research, planning, scheduling, establishing of standards and recording of performance. The authority by which the staff performs these functions is delegated by the line and the performance must be acceptable to the line before action is taken.

Types of Staff

The staff position established as a measure of support for the line managers may take the following forms:

1. **Personal Staff:** Here the staff official is attached as a personal assistant or adviser to the line manager. For example, Assistant to managing director.
2. **Specialised Staff:** Such staff acts as the fountainhead of expertise in specialised areas like R&D, personnel, accounting etc. For example, R&D Staff.
3. **General Staff:** This category of staff consists of a set of experts in different areas who are meant to advise and assist the top management on matters called for expertise. For example: Financial advisor, technical advisor etc.

Features of Line and Staff Organisation

1. Under this system, there are line officers who have authority and command over the subordinates and are accountable for the tasks entrusted to them. The staff officers are specialists who offer expert advice to the line officers to perform their tasks efficiently.
2. Under this system, the staff officers prepare the plans and give advise to the line officers and the line officers execute the plan with the help of workers.
3. The line and staff organisation is based on the principle of specialisation.

Advantages of Line and Staff Organisation

1. It **brings expert knowledge to bear upon management and operating problems**. Thus, the line managers get the benefit of specialised knowledge of staff specialists at various levels.

2. The **expert advice and guidance given by the staff officers to the line officers benefit the entire organisation.**

3. As the staff officers look after the detailed analysis of each important managerial activity, it **relieves the line managers** of the botheration of concentrating on specialised functions.

4. Staff specialists help the line managers in **taking better decisions by providing expert advice**. Therefore, there will be sound managerial decisions under this system.

5. It **makes possible the principle of undivided responsibility and authority**, and at the same time permits staff specialisation. Thus, the organisation takes advantage of functional organisation while maintaining the unity of command.

6. It is **based upon planned specialisation**.

7. Line and staff organisation has **greater flexibility**, in the sense that new specialised activities can be added to the line activities without disturbing the line procedure.

Disadvantages of Line and Staff Organisation

1. Unless the duties and responsibilities of the staff members are clearly indicated by charts and manuals, **there may be considerable confusion** throughout the organisation as to the functions and positions of staff members with relation to the line supervisors.

2. There is generally a **conflict between the line and staff executives**. The line managers feel that staff specialists do not always give right type of advice, and staff officials generally complain that their advice is not properly attended to.

3. Line managers sometimes **may resent the activities** of staff members, feeling that prestige and influence of line managers suffer from the presence of the specialists.

4. The staff experts **may be ineffective because they do not get the authority** to implement their recommendations.

5. This type of organisation **requires the appointment of large number of staff officers** or experts in addition to the line officers. As a result, this system becomes quite expensive.

6. Although expert information and advice are available, they reach the workers through the officers and thus **run the risk of misunderstanding and misinterpretation.**

7. Since **staff managers are not accountable for the results, they may not be performing their duties well.**

8. Line mangers deal with problems in a **more practical** manner. But staff officials who are specialists in their fields tend to be **more theoretical**. This **may hamper coordination in the organisation.**

Functional Organisation

The difficulty of the line organisation in securing suitable chief executive was overcome by **F.W. Taylor** who formulated the Functional type of organisation. As the name implies, the whole task of management and direction of subordinates should be divided according to the type of work involved. As far as the workman was concerned, instead of coming in contact with the management at one point only, he was to receive his daily orders and help directly from eight different bosses; four of these were located in the planning room and four in the shop. The four specialists or bosses in the planning room are:

1. **Route Clerk**: To lay down the sequence of operations and instruct the workers concerned about it.

2. **Instruction Card Clerk**: To prepare detailed instructions regarding different aspects of work.

3. **Time and Cost Clerk**: To send all information relating to their pay to the workers and to secure proper returns of work from them.

4. **Shop Disciplinarian**: To deal with cases of breach of discipline and absenteeism.

The four specialists or bosses at the shop level are:

1. **Gang Boss:** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.

2. **Speed Boss**: To ensure that machines are run at their best speeds and proper tools are used by the workers.

3. **Repair Boss:** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.

4. **Inspector:** To show to the worker how to do the work.

It was F.W. Taylor who evolved functional organisation for planning and controlling manufacturing operations on the basis of specialisation. But in practice, functionalisation is restricted to the top of the organisation as recommended by Taylor.

Features of Functional Organisation

The features of functional organisation are as follows:

1. The work of the enterprise is divided into different functional departments and the different functional departments are placed under different specialists.

2. The functional specialist has the authority or right to give orders regarding his function whosesoever that function is performed in the enterprise.

3. Under this system, the workers have to receive instructions from different specialists.

4. If anybody in the enterprise has to take any decision relating to a particular function, it has to be in consultation with the functional specialist.

5. Under this system, the workers have to perform a limited number of functions.

Advantages of Functional Organisation

1. Functional organisation is based on expert knowledge. Every functionary in charge is an expert in his area and can help the subordinates in better performance in his area.

2. Division of labour is planned not incidental.

3. As there is not scope for one-man control in this form of organisation, this system ensure co-operation and teamwork among the workers.

4. This system ensures the separation of mental functions from manual functions.

5. It helps mass production by standardization and specialization.

6. This system ensures maximum use of the principle of specialisation at every work point.

7. As there is joint supervision in the organisation, functional organisation reduces the burden on the top executives.

8. Functional organisation offers a greater scope for expansion as compared to line organisation. It does not face the problem of limited capabilities of a few line managers.

9. The expert knowledge of the functional mangers facilitates better control and supervision in the organisation.

Disadvantages of Functional Organisation

1. It is unstable because it weakens the disciplinary controls, by making the workers work under several different bosses. Thus, functional organisation violates the principle of unity of command.

2. Under this type of organisation, there are many foremen of equal rank. This may lead to conflicts among them.

3. The co-ordinating influence needed to ensure a smoothly functioning organisation may involve heavy overhead expenses.

4. The inability to locate and fix responsibility may seriously affect the discipline and morale of the workers through apparent or actual contradiction of the orders.

5. This system is very costly as a large number of specialists are required to be appointed.

6. A functional manager tends to create boundaries around himself and think only in term of his own department rather than of the whole enterprise. This results in loss of overall perspective in dealing with business problems.

7. It is difficult for the management to fix responsibility for unsatisfactory results.

Committee Organisation

Committee organisation as a method of managerial control has very little practical importance, because it is managed by a senior member of the committee only. But the committee organisations are widely used for the purpose of discharging advisory functions of the management. Committees are usually relatively formal bodies with a definite structure. They have their own organisation. To them are entrusted definite responsibility and authority.

According to **Hicks,** "A committee is a group of people who meet by plan to discuss or make a decision for a particular subject."

According to **Louis A Allen**, "A committee is a body of persons appointed or elected to meet on an organised basis for the consideration of matters brought before it."

A committee may formulate plans, make policy decisions or review the performance of certain units. In some cases, it may only have the power to make recommendations to a designated official. Whatever may be the scope of their activities, committees have come to be recognised as an important instrument in the modern business as well as non-business organisations.

Objectives of Committees

Committees are constituted to achieve one or more of the following objectives:

1. To have consultations with various persons to secure their view-points

2. To give participation to various groups of people

3. To secure cooperation of different departments

4. To coordinate the functioning of different departments and individuals by bringing about unity of directions.

Types of Committees

1. Line committee: If a committee is vested with the authority and responsibility to decide and whose decisions are implemented, it is known as line committee.

2. Staff committee: If a committee is appointed merely to counsel and advise, it is known as a staff committee.

3. Formal committee: When a committee is constituted as a part of the organisation structure and has clear-cut jurisdiction, it is a formal committee.

4. Informal committee: An informal committee is formed to advice on certain complicated matters. It does not form part of the organisation structure.

5. Coordinating committee: It is constituted to coordinate the functioning of different departments.

6. Executive committee: It is a committee which has power to administer the affairs of the business.

7. Standing committee: are formal committees that are of permanent character.

8. Ad hoc committee: They are temporary bodies. It is appointed to deal with some special problem and stops functioning after its job are over.

Advantages of Committee

1. A committee is an effective method of bringing the collective knowledge and experience of a number of persons. Therefore, many multi-dimensional and complex problems of modern enterprises, which cannot be solved satisfactorily by individual managers, can be solved by committees.

2. Committees offer scope for group deliberations and group judgment. Results obtained by group deliberation and group judgment are likely to be better than those obtained by individual judgment.

3. When it is necessary to integrate varying points of view, which cannot conveniently be coordinated by individuals, the committee may be used to bring about coordination.

4. The management can give representation to the employees in various committees. This will motivate the employees for better performance as they feel that they have a say in the affairs of the organisation.

5. A committee form of organisation facilitates pooling of authority of individual managers for making some type of decisions of an inter-departmental nature.

6. A committee form of organisation tends to promote organisational cohesiveness. Group endeavour, team spirit and collective responsibility are control to the philosophy of committees.

Disadvantages of Committee

1. If a manager has an opportunity to carry a problem to a committee, he may take it as a means of avoiding decision-making or to escape the consequences of an unpopular decision.

2. Sometimes, a committee may not be able to take the needed decision because of the conflicting views of the members.

3. Committees take more time in procedural matters before any decision is taken. In some cases, slowness seriously handicaps the administration of the organisation.

4. Committees are an expensive device both in terms of cost and time.

5. When the committee findings represent a compromise of different viewpoints, they may be found to be weak and indecisive.

6. No member of a committee can be individually held responsible for the wrong decision taken by the committee.

7. It is very difficult to maintain secrecy regarding the deliberations and the decisions taken by a committee, especially when there are many members in the committee.

LINE ORGANISATION

LINE & STAFF ORGANISATION

FUNCTIONAL ORGANISATION

COMMITTEE ORGANISATION

5.5.2 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."

Characteristics of Responsibility

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.

Techniques of Responsibility

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:

a) The individual is responsible for the activity or decision.

b) The individual must approve the activity or decision.

c) The individual must be consulted before completing the activity or making the decision.

d) 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.

5.5.3 ACCOUNTABILITY

It 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.

Here are six core behaviours that mark strong accountability in managers-

1. **Setting clear expectations:** Managers should clearly articulate each team member's roles and responsibilities—this helps people to understand the expectations their supervisors have of them. Having a defined set of expectations provides team members with purpose and an achievable path to meet their goals. With goals in place that are easy to identify, your team is more likely to meet the objectives you set for them, and you can track accountability with ease.

2. **Providing meaningful feedback:** An accountable manager has an obligation to provide consistent and timely feedback regarding employee performance. This feedback is crucial to improving each person's performance over time, which directly impacts individual success and collective team goals. Consider having a formal employee review process to fulfill this obligation. This also allows employees to plan for their regular review sessions and bring any ideas or concerns to your attention in an organized way.

3. **Establishing the workplace hierarchy:** It's important that managers outline, and adhere to, a clearly defined workplace hierarchy. It's helpful to ensure employees have an accurate understanding of how the hierarchy works and how it supports the overall mission of the company. When each member of a company possesses easy access to their organization chart, you provide a culture in which employees see how their individual actions impact their team, department and related entities.

4. **Focusing on team cohesion:** Accountable managers focus on the cohesion of their team, as employee who work well together often feel naturally motivated to be accountable to one another. Additionally, a focus on team cohesion reminds each member that they have a role to play in achieving the group goals. Strong communication between team members, a feeling

of responsibility to each other and an eagerness to help each other out are all examples of team cohesion.

5. **Leading by example:** Leading by example simply means that you should follow the same expectations you hold of your team. This includes requirements regarding the day-to-day execution of job functions and interpersonal requirements like maintaining a positive attitude, a willingness to assist others and an open and honest communication policy.

6. **Identifying and fostering growth:** Accountability as a manager also means identifying the strengths and skills of your team. To do this well, you might foster each person's skills so that they can grow in their career. To do this, you might speak with your employees one-on-one to gain an understanding of their career goals, then work to identify projects and resources that can help them achieve those goals.

5.5.4 DELEGATION OF AUTHORITY

Delegation is the **act of assigning formal authority and responsibility for completion of specific activities to a subordinate.** Delegation has three elements authority, responsibility and accountability. 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." The delegation of authority by superiors to subordinates is obviously necessary for the efficient functioning of any organisation, since no superior can personally accomplish or completely supervise all organisations. Now the questions are how can authority be delegated and responsibility be delegated? A clear line of authority is the basis for all delegation.

Characteristics of Authority

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.

Line and Staff Authority

Every organisation exists to achieve specific goals. Line managers are directly responsible for achieving these goals. Line authority is represented by the standard chain of command, starting with the board of directors and extending down through the various levels in the hierarchy to the point where the basic activities of the organisation are carried out.

Staff authority belongs to those individuals or groups are organisations who provide services and advice to line managers. Staff can offer line mangers planning advice through research, analysis and options development. Staff can also assist in policy implementation, monitoring and control, in legal and financial matters.

Characteristics of Delegation of Authority

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.

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 standalone."

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 indicates 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.

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 authorized to take themselves. Only matters outside the scope of authority should be referred to superiors.

Centralization and Decentralization 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.

Distinction between Delegation and Decentralisation

Decentralisation 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.

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

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 are 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 red tapism 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 judgment. 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.

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 underutilization 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.

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. Example of Graicunas formula-

Consider if a superior has 5 subordinates then number of relationships aas per Graicunas formula will be as follows- No. of direct relationships = n=5

No. of cross relationships = n (n-1)= 5(5-1)=20

No. of group relationships = n $[2^{n-1} -1]$= 5 (24-1)=75

Total No. of relationships = n $[2^n/2 + (n-1)]$= 5 {25/2+(5-1)}=100

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.

CHAPTER 5.6 – LEADERSHIP AND MOTIVATION – CONCEPTS AND THEORIES

LEADERSHIP STYLES, LEADER KI QUALITIES AUR MOTIVATION KI THEORIES BATATI HAI KI LOGO SE KAAM KAISE KARWANA HAI

5.6.1 LEADERSHIP

As management itself consists in getting things done through others, therefore, the human beings can be called the most dynamic elements of management and the other factors of production remain just dormant. In an organization, direction means guiding, overseeing or looking at these human beings. Directing the employees include:

a) Supervising employees

b) Leading employees

c) Motivating employees

d) Communicating with employees

Managers or supervisors at all levels act as leaders because they have under them subordinates whose efforts have to be organized and harmonized. Leadership is the process of directing and influencing task-related activities of group members. Leadership involves other people – subordinates or followers. Leadership involves an unequal distribution of power between leaders and group members. Leadership is the ability to use the different forms of power to influence followers' behaviour of ways. Leadership in another sense means the capacity of an individual to influence the thought and actions of others in some useful direction.

Leadership is essential for managing. The ability to lead effectively is one of the keys to being an effective manager because she/ he have to combine resources and lead a group to achieve objectives. Leadership has been defined by experts from time to time as follows:-

Author	Definition
Davis	Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals
Haimann	Leadership is the process by which an executive imaginatively directs, guides and influences the work of others in choosing and attaining specified goals by

	mediating between the individuals and the organization in such a manner that both will obtain maximum satisfaction.
Koontz and Donnell	Leadership is the ability of a manager to induce subordinates to work with confidence and zeal

In essence, thus leadership may be defined in terms of totality of functions by managers as individuals and as a group. Leadership may be defined simply as influence, the art or process of influencing people so that they will strive willingly towards the realization of common goals. The essence of leadership is followership. Thus, leadership process is interplay of three elements-the leader, the follower and the situation.

Characteristics of Leadership

An analysis of the definitions of leadership brings out following characteristics of leadership:

1. Leadership is a personal quality.
2. Leadership presupposes the existence of a group of followers. There can be no leadership without followers.
3. Leadership tries to influence the individuals to behave in a particular way. Successful leaders are able to influence the behaviour, attitudes and beliefs of the followers.
4. Leadership arises out of functioning for a common goal.
5. Leadership is a continuous process of influencing behaviour.
6. Leadership is related to a particular situation at a given point of time under a specific set of circumstances. Thus, leadership style will be different under different circumstances.

Qualities of a Successful Leader

A leader must possess certain exemplary qualities by virtue of which he may be able to lead and guide his subordinates.

From a holistic perspective, the qualities which are necessary for a successful leader can be stated as follows:

1) **Physical energy and stamina:** A leader should have a good personality, charming manners, and ability to work hard. A leader will be successful only when he acts with the group as a

member and works hard. A leader can help a business enterprise to achieve its objectives or goals.

2) **Intelligence:** Leaders should have somewhat higher intelligence than the average of their subordinates. They should possess the ability to think scientifically, analyse accurately and interpret clearly and concisely and problems faced by the group.

3) **Vision and foresight:** A leader should exhibit his trait of looking forward. He must have foresight to see and feel the future. He should take into account the happenings which are about to occur in future. This will enable him to maintain his influence over his subordinates.

4) **Initiative:** The main task of a leader is to initiate suitable sequence of actions in proper time. Hence, leaders must possess a strong, crucial motivation to keep accomplishing something.

5) **Self-confidence:** Self-confidence is essential to motivate the subordinates and boost up their morale. He should have confidence in himself whenever he takes any decision or initiates any cause of action. For this a leader should have conceptual clarity about the things, he is going to do. a confused leader may cause damage to the group or organization.

6) **Open mindedness or flexibility:** A leader should be flexible or open-minded, i.e., he should be ready to absorb new ideas as may be demanded by the situation. He should be prepared to accommodate other's view points and alter his decision, if need be.

7) **Sense of responsibility:** A leader should be prepared to shoulder the responsibility for the consequences of any steps he contemplates or takes. He should be aware of the duties and obligations associated with the position held by him.

8) **Human relations:** a leader should possess the human relations attitude. He should be able to deal with people and secure their willing cooperation. He should try to develop social understanding with the people. He should try to achieve the voluntary cooperation of the subordinates.

Leadership Styles

Leadership styles/ types can be classified under the following categories:

(A) Leadership style based on the use of Authority

(B) Leadership Continuum, involving a variety of styles ranging from a maximum to a minimum use of power and influence

(C) Leadership styles described in Managerial Grid by Blake and Mouton

(D) Systems of management by Rensis Likert

(A) Based on Authority

On the basis of how leaders use their power, leadership styles can be classified into three broad categories –

- autocratic,
- participative and
- free-rein.

Autocratic or Authoritarian Leadership

An autocratic leader exercises complete control over the subordinates. He centralizes power in himself and takes all decisions without consulting the subordinates. He dominates and drives his group through coercion and command. He loves power and never delegates authority. The leader gives orders and expects the subordinates to follow them ungrudgingly and unquestioningly. He uses rewards and holds threat of penalties to direct the subordinates.

Advantage	Disadvantage
Autocratic leadership style permits quick decision making.	Autocratic style leads to frustration, low morale and conflict among subordinates.
It provides strong motivation and satisfaction to the leader who dictates terms.	Subordinates tend to shirk responsibility and initiative.
Less competent subordinates are needed at lower levels.	Full potential of subordinates and their creative ideas are not utilized.
The style may yield positive results when promptness is required.	Organisational continuity is threatened in the absence of the leader because a subordinate gets no opportunity for development.

Autocratic leadership style may be appropriate when subordinates are uneducated, unskilled and submissive. Lack of knowledge and experience on the part of subordinates make it necessary that the leader takes decisions himself. This style may also be desirable when the company endorses fear and punishment as accepted disciplinary techniques. When a leader prefers to be dominant in decision making and there is little room for error in final accomplishment, autocratic leadership may enhance morale and improve productivity.

Democratic or Participative Leadership

A consultative or democratic leader takes decisions in consultation and participation with the subordinates. He decentralizes authority and allows the subordinates to share his power. the leader does what the group wants and follows the majority opinion. He keeps the followers informed about matters affecting them. A democratic leader provides freedom of thinking and expression. He listens to the suggestions, grievances and opinions of the subordinates.

Advantage	Disadvantage
Consultative leadership improves the job satisfaction and morale of subordinates.	Democratic style is time-consuming and may result in delays in decision-making.
It cultivates the decision-making ability of subordinates.	It may not yield positive results when subordinates prefer minimum interaction with the leader.
The leader multiplies his abilities through the contribution of his followers.	Over a period of time subordinates may develop the habit of expecting to be consulted.
It develops positive attitudes of the leader and reduces resistance to change.	Consultation may be interpreted as a sign of incompetence on the part of the leader to deal with problems.
The quality of decisions is improved.	It may be used as a means of passing the buck to others and abdicating responsibility.
Labour absenteeism and labour turnover is reduced.	It requires considerable communicating and persuasive skills on the part of the leader.

Participative leadership is considered to be more effective than autocratic style though there is no empirical- proof for this. Consultative style is more compatible with the prevailing value system which favours freedom of expression and independent thinking. The choice of leadership style depends upon the immediate goal and on the subordinates. if the immediate goal is increase in productivity or subordinates have low need for independence, autocratic style may be preferable. But when the goal is job satisfaction and employees have a high need for independence, consultative style may be more effective. Consultative style is also appropriate where subordinates have accepted the goals of the organisation and the leader really wants to share decision-making with the subordinates.

Free-rein or Laissez-Fair Leadership

Free-rein leadership involves complete delegation of authority so that subordinates themselves take decisions. The free rein leader avoids power and relinquishes the leadership position. He serves only as a contact to bring the information and resources needed by the subordinates.

Advantage	Disadvantage
Positive effect on job satisfaction and morale of subordinates.	Subordinates do not get the guidance and support of the leader.
Maximum possible scope for development of subordinates.	It ignores the leaders' contribution just as autocratic style ignores the contribution of the subordinates.
Full utilization of the potential of subordinates.	Subordinates may move in different directions and may work at cross purposes which may degenerate into chaos.

Free rein style may be appropriate when the subordinates are well trained, highly knowledgeable; self motivated and ready to assume responsibility.

(B) Based on Leadership Continuum

Tannenbaum and Schmidt have developed the concept of leadership continuum to highlight the range of possible leadership styles. at the left end of the continuum there is 'boss centered' (autocratic) leadership style while at the right end is the 'subordinate centered' (free-rein) -

style. As one move from the left extreme to the right extreme, the degree of control goes down and the freedom of subordinates goes up.

1. Manager makes decision and announces it. It is an extreme form of autocratic leadership whereby the boss takes the decision and asks the subordinates to implement it.

2. Manager sells the decision. In this style the boss alone takes the decision and persuades the subordinates to accept it.

3. Manager presents ideas and invites questions. This style involves greater involvement of subordinates. The boss arrives at the decision and asks subordinates to express their views on it.

4. Manager presents tentative decision subject to change. Herein the boss takes a tentative decision and modifies it in the light of views expressed by the subordinates.

5. Manager presents problems, gets suggestions and takes decision. In this case the boss takes the decision after hearing the suggestions from subordinates.

6. Manager defines the limits and asks the group to make decision. Under this style of leadership the boss gives the freedom to subordinates to take decision subject to predetermined limits.

7. Manager permits subordinates to function within the limits defined by him. This style involves full participation of subordinates. The boss defines overall limits. Subordinates are free to decide and act within these limits.

The continuum approach to leadership provides a wide range of leader behaviors. It identifies the behavioural alternatives available to a manager and highlights the dynamic nature of leadership. It also suggests that the leadership style should be adapted to the requirements of the particular situation.

While choosing the appropriate style, a manager should consider the following factors –

1. **Forces in the manager –** Manager's value system, his confidence in the subordinates, his leadership inclinations and his tolerance of ambiguity.

2. **Forces in the subordinates –** subordinates' need for independence, their tolerance for ambiguity, their willingness to assume responsibility for decision making, their interest in and understanding of problems, their understanding of and identification with organisational goals their experience with and expectations of leadership.

3. **Forces in the situation –** type of organisation, nature of problems, group effectiveness, time pressure, etc.

(C) Leadership Styles in Managerial Grid

The managerial grid leadership style is developed by Robert Blake and Jane Mouton. The grid has two dimensions – **concern for people and concern for production**.

Concern for people may include such elements as provision of good working conditions, placement of responsibility on the basis of trust rather than obedience, maintenance of self-esteem of workers and good interpersonal relations.

Concern for production may also include the attitudes of a supervisor toward a wide variety of things, such a quality of staff services, work efficiency, volume and quality of output etc. The bi-dimensional managerial grid identifies a range of management behaviours based on the various ways that task-oriented and employee-oriented styles (each expressed as a continuum on a scale of 1 to 9) can interact with each other in Figure 1 below:
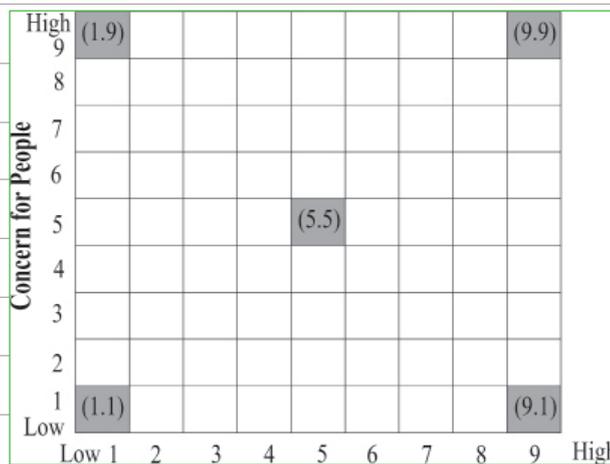
Managerial Grid

The styles are follows:

1. **Style (1,1)–** The Impoverished or the Indifferent (Low Production / Low People): It is a lazy approach. The leader-manager shows low concern for both production and people. It is delegate-and disappear type of leadership.

2. **Style (1, 9) –**Country Club (Low Production / High People): This style is a one-sided approach where the leader-manager pays much attention to the security and comfort of the employees but he has low concern for production.

3. **Style (9,1)–** Produce, Dictatorial or Perish (High Production / Low People): It is an authoritarian leadership style where the leader-manager finds employee needs unimportant, and pressurizes employees through fear and punishments. But he has high concern for production.

4. **Style (9, 9)–** The Team or Sound (High Production / High People): In this style, the leader-manager pays high concern to both people and production.

5. **Style (5, 5) –** The Middle-of-the-road or the Status-quo (Medium Production / Medium People): The leader- manager in this style tries to balance between the competing goals of the organization and the needs of the workers

(D) Likert's System of Management

Rensis Likert and his associates of the University of Michigan, U.S.A. conducted an extensive survey of management style and patterns in large number of organizations. Likert developed a continuum of four system of management. These systems indicate the stages of evolution in the patterns of management in organisations. These are based on several variables namely leadership, motivation, communication, interaction, influence, decision- making process, goal-setting and control process. A brief description of the Likert's four management systems is given below –

System 1 – Exploitative autocratic– The managers under this system make all work- related decisions and order their subordinates to carry out the decisions. The managers also define standards and methods of performance. The subordinates have absolutely no say in the decision-making process. The communication between the manager and his subordinates is highly formal in nature and downward in direction. Such managers believe in threats and punishments to get things done. They exercise strict supervision and control over the subordinates.

System 2 – Benevolent autocratic– System 2 managers are also autocratic but they are not exploitative. They adopt a paternalistic approach towards the subordinates. They allow some

freedom to subordinates to carry out their tasks within the prescribed limits. the managers adopt patronizing attitudes towards the obedient and faithful subordinates. they are rewarded for accomplishment of goals. But the subordinates who do not their tasks are treated harshly. thus carrot and stick approach to motivation is adopted under this system.

System 3 - Consultative– Managers under this system set goals and issue orders after discussing them with the subordinates. They take major decisions themselves and allow subordinates to take the routine decisions. Subordinates are free to discuss the work-related matters with the managers. Thus there is two-way communication in the organisation. Managers' trust subordinates to carry out their tasks. Greater emphasis is placed on rewards than on penalties to motivate the subordinates. The control system tends to be goal-oriented and flexible.

System 4 - Democratic– Under this system, goals are set and work related decisions are taken by the subordinates. Supervision and control are group- oriented. Managers are friendly and supportive in their attitudes towards the subordinates. Subordinates are permitted self-appraisal on the basis of mutually set goals. In addition to economic rewards, subordinates are given a sense of purpose and feeling of worth. The communication system is completely open. Likert suggested that system 4 is the ideal system towards which organizations should Work.

Contingency or Situational Approach to Leadership

It is clear from the foregoing description that leadership is a product of many forces that act and interact simultaneously. Every manager must achieve some degree of integration of these varying and complex forces otherwise a void in his leadership may arise. An integrated model of leadership has been proposed by George Terry.

Leadership consists of four main variables:

1. **The Leader:** Leader's personal values (deep beliefs and convictions) shape his perceptions and behaviour. Leader's confidence in the group members, extent of power sharing and genera! circumstances the leader prefers are important characteristics. Leader's awareness of self is also significant.

2. **The Followers:** The forces within the followers include identification with the leader's objectives, interest and involvement in solving problems, knowledge and experience, need for independence, etc.

3. **The Organisation:** Nature and type of organisation exercise significant influence on leadership. When the degree of interdependence between specialised units is high, lateral relationships are essential for coordination. this is because the followers tend to centre their attention in their own work and do not see the impact of their actions on others. Similarly, Technology governs the degree to which the task is structured. in case of highly structured tasks, the leader has more influence because, employees' work behaviour is specified and major decisions are centralised. Standard operating instructions and detailed manuals are provided and little is left for the group members to decide. When the task is uncertain a permissive and passive leadership tends to be more effective because exact make-up of work is unknown.

4. **The Environment:** Leadership should be in harmony with the external environment. Social values, economic and political conditions, etc., bring about changes that lead to a redefinition of acceptable and effective leadership.

Servant Leadership

While servant leadership is a timeless concept with a strong citation in the Vedantic speech of Swami Vivekananda during late years of nineteenth century, the phrase "servant leadership" was coined by Robert K. Greenleaf in The Servant as Leader, an essay that he first published in 1970. In that essay, Greenleaf said:

"The servant-leader is servant first… It begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead. That person is sharply different from one who is leader first, perhaps because of the need to assuage an unusual power drive or to acquire material possessions…The leader-first and the servant-first are two extreme types. Between them there are shadings and blends that are part of the infinite variety of human nature.

A servant-leader focuses primarily on the growth and well-being of people and the communities to which they belong. While traditional leadership generally involves the accumulation and exercise of power by one at the "top of the pyramid," servant leadership is different. The

servant-leader shares power, puts the needs of others first and helps people develop and perform as highly as possible.

Principles of Servant Leadership

- Encourage diversity of thought.
- Create a culture of trust.
- Have an unselfish mindset.
- Foster leadership in others.

Therefore, the following aspects of 'Servant Leadership' can be made germane in the present day. These aspects may further raise some eternal questions that prevail across the manager's fraternity. Some of them are listed below:

- **Qualities of a servant leader:** A servant leader has to have empathy. Compassion towards fellow workers is the ultimate criteria for being a servant leader. 'Servant leadership' states that a leader should always remember that he is a servant because he is the leader and a leader because he serves. Self-obsession and hunger for power have no room in servant leadership.

- **Effect of such leadership on work performance:** Servant leadership has a great effect on how work is done in any organization and how the entire work culture of the organization operates. It is quite different from other styles of leadership.

- **Effect on the overall life of an employee:** The overall life of the employees is also affected through servant leadership. The way he or she looks towards other aspects of life would change when he or she works under a servant leader. If most of the leaders in the corporate world had been servant leaders, the business world would not have faced the current epidemic of corporate stress. Every year several companies across the globe spend millions of dollars for the treatment of employee stress to regain productivity.

Leadership Effectiveness

In business enterprises, managers at various levels, assume the role of leadership in relation to their subordinates for getting the right things done in a proper manner to achieve a certain set of goals. the effectiveness of managers as leaders is critical to organisational survival and success. Hence there is a high premium on leadership effectiveness in business enterprises.

There are at least three major views on the determinants of leadership effectiveness. **one view** is that effectiveness is a function of the personal qualities or traits of the individuals who assume the role of leadership.

The **second view** is that leadership effectiveness is a matter of what leaders do and how they behave. This is known as the behavioural approach. the two most important dimensions of the behaviour of leaders are productivity orientation and employee satisfaction orientation.

The third view is that leadership effectiveness is a function of interaction among at least three variables: **the leader, the group of followers and the tasks situations.** This is known as the situational or contingency approach to leadership as discussed earlier.

On a careful examination of the above discussed three views on the determinants of leadership effectiveness, following observations can be made:

(A) Effective leadership requires certain basic qualities among persons who assume the role of leaders. These are necessary but not sufficient.

(B) There is no ideal leadership style or behaviour generally applicable for all situations. Leadership effectiveness can be secured or enhanced by tailoring the style to the demands of each situation.

(C) The important situational factors which exert considerable influence on leadership effectiveness are:

- task complexities,
- the skills and attitudes of the group of followers,
- their relations with the leader and
- the position power of the leader himself.

Measures for developing Leadership Ability of Managers

It is at once necessary and possible for managers to develop and improve their leadership abilities. It is necessary because managers have to get things done through their subordinates. They will be able to get things done effectively if they have leadership ability. It is possible because they are several means and techniques of acquiring leadership abilities. Also, leadership abilities are not totally inborn or genetic. They can be acquired and learnt by training and by other means. The measures for developing leadership ability of managers are explained as follows:

a) **Leadership training:** Training programmes are offered to expose managers to several leadership situations and teach them how to tackle them. The Situations are partly simulated and partly real. The trainers create the situations wherein the managers undergoing leadership training are provided opportunities to diagnose problems, think of ways and means of tackling them which partly involve testing of various styles of leadership against realities. Leadership training gives insights and experiences of managers on appropriate attitudes and behaviour which they have to adopt in tackling diverse situations, on how to gain initiative and command over a situation how to inspire and motivate people, that measures are necessary to inject discipline, cohesiveness and team work ethic in the group, and so on. The managers under training are to be given immediate feedback on their leadership performance.

b) **Internal organisational exposure:** Another measure to develop the leadership ability of managers is to expose them within the organisation itself to critical situations calling for application of leadership abilities. Managers may be put in charge of committees assigned with the task of project implementation, coordination and control. Managers may also be placed in situations concerning people's problems – for example, how to improve the lowered morale of a work group, how to resolve internal conflict, how to induce a sense of involvement of work groups in the organisation and so on.

c) **Autonomy and accountability:** Managers may be able to sharpen their leadership abilities under conditions of relative freedom. They should be allowed a large amount of freedom to evolve their own methods of tackling situations calling for critical leadership abilities. at the same time they should be provided with the required organisational support in the form of authority (position power), status, and top management support and so on. They should be given adequate discretion dispensing rewards and penalties to their subordinates, within the framework of certain norms and rules.

d) **Opportunities for interaction:** Managers should also have opportunities to interact with their subordinates in a more intense and continuous manner. This is partly a matter of availability to time. Many managers get themselves so extremely busy with their own work that they find little time to talk or listen to their subordinates, to guide them, to understand their viewpoints, to be supportive to them and to develop them.

5.6.2 MOTIVATION

Definition

The term 'motivation' has been derived from the word 'motive'. Motive means the urge to do something. Motivation may be defined as the process of inducing or inspiring people to take the desired course of action.

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

The process of motivation begins with the awareness of a need. Feeling of an unsatisfied need causes tension. A person takes some action to satisfy his need. If the action succeeds to satisfy the need, the person feels motivated. In case the action fails, the person takes a different action. When the present need is satisfied, a new need arises and the process is repeated.

Thus, **motivation involves interaction between needs and incentives**. Incentives are the inducements which are used to motivate people. An incentive has motivational power because it helps to satisfy some need. Several financial and non-financial incentives are used to motivate people.

On the basis of the above description, the following characteristics of motivation can be identified:

1. **Motivation is a psychological concept:** It is based on human needs which generate within an individual. Needs are feelings in the mind of a person that he lacks certain things. Such feelings influence the behaviour and activities of the individual.

2. **Motivation is total, not piece-meal:** A person cannot be motivated in parts. An employee is an indivisible unit and his needs are interrelated. He cannot be motivated by fulfilling some of his needs partly.

3. **Motivation is a continuous process:** It is not a time bound programme or a touch-and- go affair. Human needs are infinite. As soon as one need is satisfied new ones arise. In the words of McGregor, "man is a wanting animal, as soon as one of his needs is satisfied another appears in its place. This process is unending." satisfaction of one need gives feeling of another and the process continues.

4. **Motivation causes goal-directed behaviour:** A person behaves in such a way that he can satisfy his goals or needs. A person will work so long as he feels his actions are fulfilling his strongly felt needs. He will not pursue-the activity and will lose interest in his work if he feels that it is not satisfying his needs.

5. **Motivation may be financial or non-financial:** The form of motivation depends upon the type of needs. Financial incentives include pay, allowances, bonus and perquisites. Non- financial incentives consist of recognition, praise, responsibility, participation in decision- making, challenging job, etc.

6. **Motivation is a complex process:** There is no universal theory or approach to motivation. Moreover, individuals differ in what motivates them. Therefore, a manager has to analyse and understand a variety of needs and has to use a variety of rewards to satisfy them. He should not expect overnight results.

Importance of Motivation

Motivation is one of the most crucial factors that determine the efficiency and effectiveness of an individual in organisation. All organisational facilities will remain useless unless people are motivated to utilise these facilities in a productive manner. Motivation is an integral part of management process and every manager must motivate his subordinates to create in them the will to work. High motivation provides the following advantages:

1. **Higher efficiency:** Motivation is an effective instrument in the hands of management to maximize efficiency of operations. A worker may be very competent but no activity can take place until the individual is willing to perform that activity. What employees do depends largely on how much and why they want to do. Motivated employees give greater performance than demotivated ones.

2. **Optimum utilisation of resources:** Motivation inspires employees to make best possible use of different factors of production. They work wholeheartedly to apply their abilities and potential in minimizing waste and cost. The enterprise can make maximum use of its physical and financial resources.

3. **Reduction in labour turnover:** High motivation leads to job satisfaction of workers. Opportunities for need satisfaction make employees loyal and committed to the organisation. as a result labour absenteeism and turnover are low.

4. **Better industrial relations:** Increased labour productivity in turn results in higher wages for employees. Motivational schemes create integration of individual interests with organizational objectives. There arises a sense of belonging and mutual co-operation at all levels. Motivation will foster team spirit among workers. This will reduce labour unrest and create better relations between management and workers.

5. **Easier selection:** An enterprise that offers abundant financial and non-financial incentives enjoys reputation in the labour market. Therefore, it can easily attract competent persons for filling various vacancies.

6. **Facilitates change:** High motivation helps to reduce resistance to change. an organisation has to incorporate changes to cope with environmental changes. Properly motivated employees accept, introduce and implement these changes keeping the organisation effective.

Theories of Motivation

There are several theories of motivation. Some are called content theories and others are called process theories. These theories can be summed up as under:

1. Maslow's Need Hierarchy Theory
2. Herzberg's Two-Factory Theory
3. Theory X and Theory Y by McGregor
4. Alderfer's ERG (Existence, Relatedness and Growth) Theory
5. Achievement Motivation Model by Mcclelland
6. J. Stacy Adam's Equity Theory
7. Victor Vroom's Expectancy Theory

1. **Maslow's Model**

<mark>Abraham H. Maslow</mark>, an eminent American psychologist, developed a general theory of motivation, known as the 'Need hierarchy theory'. The salient features of this theory are as follows:

(i) The urge to fulfill needs is a prime factor in motivation of people at work. Human beings strive to fulfill a wide range of needs. Human needs are multiple, complex and interrelated.

(ii) Human needs form a particular structure or hierarchy. Physiological needs are at the base of the hierarchy while self-actualisation needs are at the apex. Safety (security) needs, social needs and esteem (ego) needs are positioned in between. As one proceeds from base towards apex, needs become less essential.

(iii) Lower-level-needs must at least partially be satisfied before higher-level needs emerge. In other words, a higher-level need does not become an active motivating force until the preceding lower-order needs are satisfied. Human beings strive to gratify their needs in a sequential manner starting from the base of the hierarchy. all needs are not felt at the same time.

(iv) As soon as one need is satisfied, another need emerges. This process of need satisfaction continues from birth to death. Man is a wanting animal.

(v) A satisfied need is not a motivator, i.e., it ceases to influence human behaviour. It is the unsatisfied needs which regulate an individual's behaviour.

(vi) Various need levels are inter-dependent and overlapping. Each higher level need emerges before the lower level need is completely satisfied.

- **Physiological needs:** These are biological needs required to preserve human life. Therefore, these needs are also known as survival needs. They include needs for food, drink, air, sleep, etc. these needs must be satisfied first of all and, therefore, they are a powerful motivating force

when thwarted. 'Man lives by bread alone' when there is no bread. Physiological needs must be satisfied repeatedly but they are essentially finite. For example, an individual requires a limited amount of food but he requires it every day.

- **Safety needs:** Once physiological needs are reasonably satisfied; a person wants protection from physical dangers and economic security. Safety needs are thus concerned with protection from danger, deprivation and threat. These needs are finite but they may serve as motivators in case of arbitrary and unpredictable management actions. Such actions create uncertainty and people seek job security. Organisations can influence these needs through pension schemes, insurance plans, fear of dismissal, etc.

- **Social needs:** Man is a social animal as he seeks affiliation (association) with others. Social needs refer to need for belonging, need for acceptance, need for love and affection, etc. such needs are infinite as they are considered as secondary needs because they are not essential to preserve human life. They represent needs of the mind and spirit rather than of the physical body. Organisations can influence these needs through supervision, communication system, work groups, etc.

- **Esteem needs:** Esteem needs are of two types: self-esteem and esteem of others. Self-esteem needs include self-respect, self-confidence, competence, achievement, knowledge and independence. Esteem of others includes reputation, status, and recognition. These needs are infinite and thwarting them results in feelings of inferiority, weaknesses and helplessness.

- **Self-actualization needs:** These are the needs for realising one's full potential, for continued self-development, for being creative. It is the desire of becoming what one is capable of becoming. it is an infinite and growth need. It is psychological in nature and very few persons satisfy it. The conditions of modern industrial life provide limited opportunity for the satisfaction of self-actualisation?

Abraham Maslow's Hierarchy Theory

Evaluation: Need hierarchy represents a typical pattern that operates most of the time. It must not be viewed as a rigid structure to be applied in all situations.

Maslow's need priority model of motivation has gained extensive popularity because it is simple and logical. It is compatible with the economic theory of demand. The theory helps to explain why a person behaves differently in two similar situations. It provides an insight into what is common to all. It extends to all areas of human life and is not limited to work situation alone. But there is little empirical support for it because its propositions could not be vigorously tested through empirical research. The theory could not be validated but it is said to contain some fundamental truths which do not require any proof.

However, the theory is widely criticised for the following reasons:

i. Needs are not the only determinant of behaviour. People seek objects and engage in behaviour that is in no way connected with the gratification of needs. There are other motivating factors like perceptions, expectations, experiences, etc.

ii. The theory gives an over simplification of human needs and motivation. Need recognition and fulfilment do not always follow the specific sequence of hierarchy suggested by Maslow, Need classification is somewhat artificial and arbitrary as human needs cannot be classified into neat watertight compartments. Therefore, the theory may not have universal validity.

iii. The hierarchy of needs is not always fixed. Different people may have different orders. For example, in case of creative people like singers, painters, etc., self-actualisation need may become a dominant motivating force even before the lower order needs are satisfied. Similarly, the need priorities of the same individual may change over time. As a result, a manager cannot keep up with a continuously revolving set of needs. Thus, Maslow's model presents a somewhat static picture of need structure. The theory does not recognise individual differences. Individuals differ in the relative intensity of their different needs.

iv. Maslow's theory is based on a relatively small sample. it is a clinically derived theory and its unit of analysis is the individual. That is why Maslow presented his model with apologies to those who insisted on conventional reliability, validity, sampling, etc.

v. There is no definite evidence that once a need is satisfied it loses its motivating force. It is also doubtful that satisfaction of one need automatically activates the next need in the hierarchy.

Some persons will not aspire after their lower-order needs have been satisfied. Human behaviour is the outcome of several needs acting simultaneously.

The same need may not lead to the same response in all individuals. Similarly, one particular behavior may be the result of different needs. There is lack of direct cause and effect relationship between need and behaviour.

Despite these limitations, Maslow's theory has a common sense appeal for managers. It is still relevant because needs are important for understanding behaviour. The theory provides a convenient conceptual framework for the study of motivation. It helps to explain inter-personal and intra-personal differences in human behaviour.

Herzberg's Model

In the late fifties, **Frederick Herzberg** and his associates conducted interviews of 200 engineers and accountants in the Pittsburgh area of the United States. These persons were asked to relate elements of their jobs which made them happy or unhappy. An analysis of their answers re-veiled that feelings of unhappiness or dissatisfaction were related to the environment in which people were working. On the contrary, feelings of happiness or satisfaction were related to their jobs.

According to Herzberg, maintenance or hygiene factors are necessary to maintain a reason- able level of satisfaction among employees. These factors do not provide satisfaction to the employees but their absence will dissatisfy them. Therefore, these factors are called dissatisfiers. These are not intrinsic parts of a job but they are related to conditions under which a job is performed. They are environmental factors (extrinsic to the job) and are given in the following table:

Maintenance Factors	Motivating Factors
Company Policy and Administration	Achievement
Technical Supervision	Recognition
Inter-personal relationship with peers	Advancement
Inter-relationship with supervisors	Opportunity for growth
Inter-relationship with subordinates	Responsibility
Salary	Work itself
Job Security	
Working conditions status	

On the other hand, motivational factors are intrinsic parts of the job. Any increase in these factors will satisfy the employees and help to improve performance. But a decrease in these factors will not cause dissatisfaction.

Herzberg noted that the two sets of factors are uni-dimensional, i.e. their effect can be seen in one direction only. He admitted that the potency of any of the job factors is not solely a function of the nature of the factor itself. it is also related to the personality of the
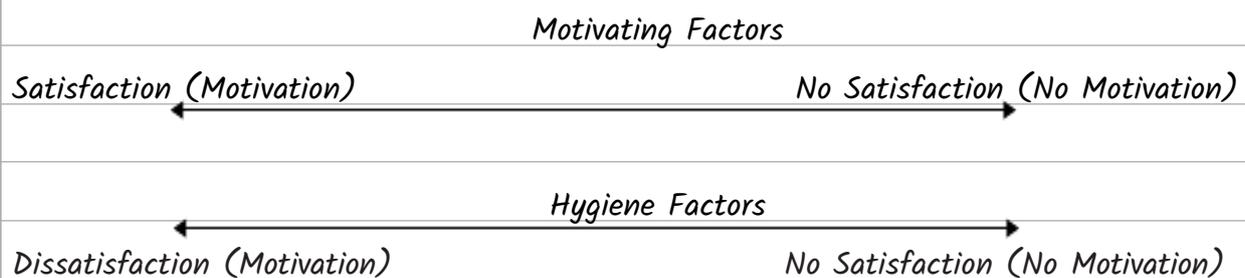
individual who may be either a 'motivation seeker' or a 'maintenance seeker'. A motivation seeker is motivated primarily by the nature of the task and has high tolerance for poor environmental factors. On the other hand, maintenance seeker is motivated primarily by the nature of his environment and tends to avoid motivation opportunities.

He is dissatisfied with maintenance factors surrounding the job. He shows little interest in the kind and quality of work.

Herzberg's theory has received a great deal of attention and it has become popular among managers. One striking conclusion of Herzberg's theory is that one cannot achieve higher performance simply by improving wages and working conditions. The conclusion should be an eye opener to managers who go on improving wages and fringe benefits with the hope of improving efficiency.

Herzberg stressed upon the job as an intrinsic motivating factor. The key to job satisfaction and high performance lies in job enrichment. Herzberg's two factor theory has made a significant contribution towards improving manager's basic understanding of human behaviour. His theory is simple and based on empirical data. It offers specific actions for managers to improve motivation and performance. This theory has exercised tremendous impact in stimulating thought, research and experimentation in the area of work motivation.

Traditionally, job satisfaction and dissatisfaction were viewed as opposite ends of a single continuum. Herzberg's findings indicate that dissatisfaction is not simply the opposite of satisfaction or motivation. Satisfaction and dissatisfaction are independent rather than opposite ends of the same continuum.

<center>Motivating Factors</center>

Satisfaction (Motivation)   No Satisfaction (No Motivation)

<center>Hygiene Factors</center>

Dissatisfaction (Motivation)   No Satisfaction (No Motivation)

**Criticisms of the theory** – Herzberg's theory has been criticised on the following grounds:

(i) The theory is **based on a small sample** of 200 accountants and engineers which is not representative of the work force in general. Other researchers have drawn different results from similar studies. The theory is most applicable to knowledge workers. Studies of manual workers are less supportive of the theory. Therefore, the theory is not universally applicable.

(ii) Herzberg's model is **method bound and is limited by the critical incident method** used to obtain information when satisfied people attribute the causes of their feelings to themselves. When they are dissatisfied they attribute their failures to outside forces. People tend to tell the interviewer what he would like to hear rather than what they really feel. The interview method used by Herzberg suffers from bias. The approach is highly subjective. Therefore, the empirical validity of the theory is doubtful.

(iii) The theory focuses **too much attention on satisfaction rather than on performance level.** There is no direct link between satisfaction, motivation and performance. Therefore, Herzberg's two factor theory is an oversimplified presentation of the process of motivation.

(iv) The **distinction between maintenance factors and motivating factors is not fixed**. The same factor may be motivating for some people and maintenance factor for other people.

Comparison of Maslow and Herzberg theories –

Herzberg's theory is an extension of Maslow's need priority model. The two models are basically compatible or complementary. There is a close similarity between survival needs (physiological, safety and social needs and dissatisfaction) and dissatisfiers on the one hand and between growth needs (esteem and self-actualization needs) and satisfiers on the others.

Both Maslow and Herzberg models tend to over-simplify the motivational process. Maslow's model is formulated in terms of human needs while Herzberg's model is in terms of rewards or goals. Herzberg has attempted to refine and reinforce on the need priority model and has thrown a new light on the content of work motivation.

The two models show marked similarities as shown below:-
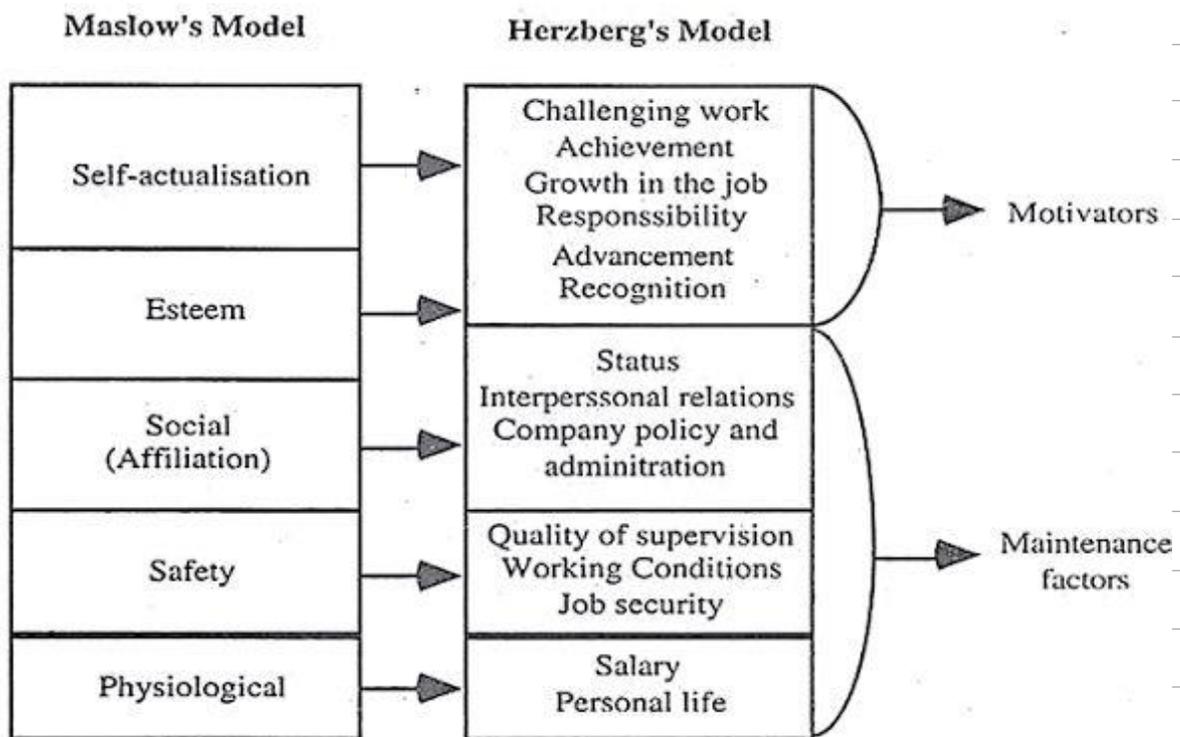
MASLOW'S AND HERZBERG'S MODELS OF MOTIVATION

McGregor's Model

Prof. Douglas McGregor has developed a theory of motivation on the basis of hypotheses relating to human behavior. According to McGregor, the function of motivating people involves certain assumptions about human nature. There are two alternative sets of assumptions which McGregor has described as theory X and theory Y.

Theory X – Theory X of motivation is based on the following assumptions:

1. The average individual is by nature indolent and will avoid work if he can.
2. The average person lacks ambition, dislikes responsibility, and prefers to be led.
3. An average human being is inherently self-centered, and indifferent to organisational goals.
4. Most people are by nature resistant to change and want security above all.
5. The average individual is gullible, not very bright, the ready victim of the schemer.

On the basis of these assumptions, the conventional view of management puts forward the following propositions:

1. Management is responsible for organising the elements of productive enterprise—money, materials, equipment, people—in the interest of economic gain.

2. With respect to people, management involves directing their efforts, motivating them, controlling their actions and modifying their behaviour to fit the needs of the organisation.

3. Without active intervention by management, people would be passive – even resistant to organizational needs. They must, therefore, be persuaded, rewarded, punished and controlled.

The above assumptions are negative in nature. Therefore, theory X is a conventional or traditional approach to motivation. External control is considered appropriate for dealing with unreliable, irresponsible and immature people. According to McGregor, an organisation built upon theory 'X' notions will be one in which there is close supervision and control of subordinates and high centralization of authority. Leadership in such an organisation will tend to be autocratic, and workers will have very little (if any) say in decisions affecting them. The climate in a theory X organisation would be impersonal—this theory implies use of 'carrot and stick approach'.

Theory Y – theory X is based on a faulty conception of human nature. McGregor recognised certain needs that Theory X fails to take into account. These relate to self-fulfilment, ego satisfaction and the social needs of individual workers. To meet these human needs in business, McGregor suggested a counter approach to management which he called Theory Y. The theory proposes that:

1) Management is responsible for organising the elements of productive enterprise in the interest of economic and social ends.

2) People are not by nature passive or resistant to organisational needs. They become so as a result of experience.

3) Motivation, potential for development, capacity for assuming responsibility and readiness to direct behaviour toward organisational goals are present in people, management does not put them there. it is the responsibility of management to make it possible for people to recognise and develop these characteristics for themselves.

4) The essential task of management is to arrange organisational conditions and methods of operations so that people can achieve their own goals best by directing their own efforts towards organisational goals.

Theory Y is based upon the following assumptions:

1) The expenditure of physical and mental effort is as natural as play and rest. The average human being has no inherent dislike for work. Work, if meaningful, should be a source of satisfaction and it can be voluntarily performed.

2) Man will exercise self-control "and self-direction in the service of objectives to which he is committed. External control or threat of punishment is not the only means of motivating people to work and achieve organisational goals.

3) Commitment to objectives is a result of the rewards associated with their achievement. The most significant of such rewards, e.g., the satisfaction of ego and self-development needs, can be the direct result of effort directed towards the organisational objectives. Once the people have selected their goal, they will pursue it even without close supervision and control.

4) The average human being, under proper conditions, does not shun responsibility. He is ready not only to accept responsibility but also to seek it. Avoidance of responsibility, lack of ambition, etc., are consequences of experience rather than being inherent in human nature.

5) The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population.

6) Under conditions of modern industrial life, the intellectual potentialities of people are only partially utilised. In reality, people have unlimited potential.

Comparison between Theory X and Theory Y:

Theory X	Theory Y
1. Inherent dislike for work	1. Work is natural like rest or play.
2. Unambition and prefer to be directed by others.	2. Ambition and capable of directing their others own behaviour.
3. Avoid responsibility.	3. Accept and seek responsibility under proper conditions.
4. Lack creativity and resist change	4. Creativity widely spread.
5. Focus on lower level (Physiological and safety)	5. Both lower level and higher order needs need to motivate workers like social; esteem and elfactualisation are sources of motivation.
6. External control and close supervision required to achieve organisational objectives.	6. Self-direction and self-control.
7. Centralisation of authority and autocrat leadership	7. Decentralisation and participation in leadership decision-making. Democratic leadership.
8. People lack self-motivation	8. People are self-motivated.

Theory Y represents a modern and dynamic nature of human beings. It is based on assumptions which are nearer to reality. An organisation designed on the basis of theory Y is characterised by decentralisation of authority, job enrichment, participative leadership and two-way communication system. The focus is on self-control and responsible jobs. Theory X places exclusive reliance on external control of human behaviour while Theory Y relies on self- control and self-regulation. "This difference is the difference between treating people as children and treating them as mature adults. After generations of the former we cannot expect to shift to the latter overnight."

McGregor's theory of motivation is simple. it helps to crystallize and put into right perspective the findings of the Hawthorne Experiments. It has generated wide ranging and lasting interest in the field of motivation. This theory offers a convenient framework for analysing the relationship between motivation and leadership style.

Despite its significance, McGregor's theory has been criticised for various reasons.

- Tends to over-generalise and over-simplify people as being one way or the other. People cannot be put into two extreme patterns or stereotypes.
- Squeezes all managerial styles and philosophies into two extremes of conduct which is devoid of reality.
- Suggests tacitly that job itself is the key to motivation. But all persons do not look for motivation in job & not all work can be made intrinsically challenging and rewarding.
- Some managers may have Theory Y assumptions about human nature, but they may find it necessary to behave in a very directive and controlling manner with some people in the short run to help them grow up in a developmental sense until they are truly Y people.

A question often posed is which theory (X or Y) is better. Most people believe that theory Y is more desirable and productive. But it may not be the best approach for all situations. Theory X might be more suitable in some crisis situations but less appropriate in more routine and formalised situations. In some under-developed countries like India Theory X may still be useful at the lower levels of organisation.

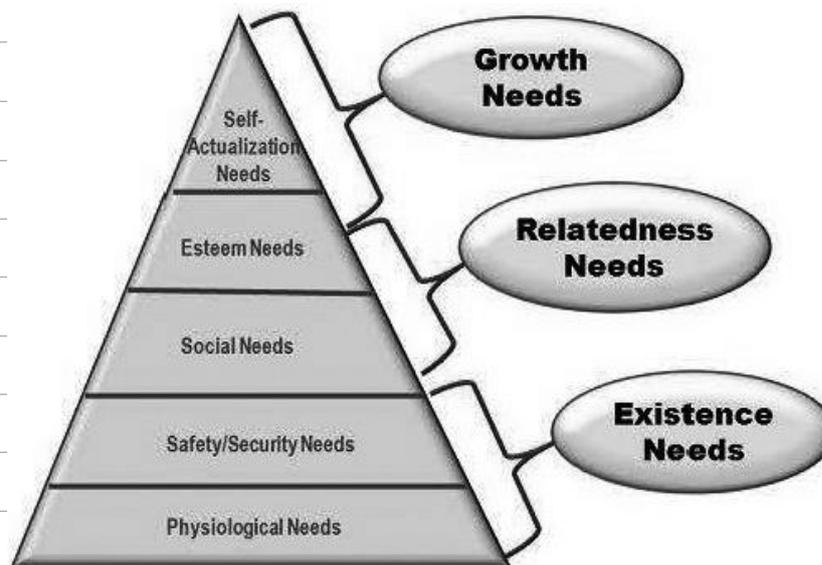**Alderfer's ERG (Existence, Relatedness and Growth) Theory**

Clayton Paul Alderfer, an American psychologist, developed ERG theory that suggests that there are three groups of core needs: existence (E), relatedness (R), and growth (G)—hence the acronym ERG. These groups align with Maslow's levels of physiological needs, social needs, and self-actualization needs, respectively.

Existence needs concern our basic material requirements for living. These include what Maslow categorized as physiological needs (such as air, food, water, and shelter) and safety-related needs (such as health, secure employment, and property).

Relatedness needs have to do with the importance of maintaining interpersonal relationships. These needs are based in social interactions with others and align with Maslow's levels of love/belonging-related needs (such as friendship, family, and sexual intimacy) and esteem-related needs (gaining the respect of others).

Finally, growth needs describe our intrinsic desire for personal development. These needs align with the other portion of Maslow's esteem-related needs (self-esteem, self-confidence, and achievement) and self-actualization needs (such as morality, creativity, problem-solving, and discovery).

Alderfer proposed that when a certain category of needs isn't being met, people will redouble their efforts to fulfil needs in a lower category. For example, if someone's self-esteem is suffering, he or she will invest more effort in the relatedness category of needs.

Alderfer's ERG (Existence, Relatedness and Growth) Theory

Achievement Motivation Model by Mcclelland

David C. McClelland, an American psychologist had developed need theory on motivation and observed that three needs motivates human behavior that is power, affiliation and achievement. McClelland believed that each person has a need for all three and other needs but that people differs in the degree to which the various needs motivate their behavior.

These needs are:

- Need for achievement (n-Ach)
- Need for power (n-Pow)
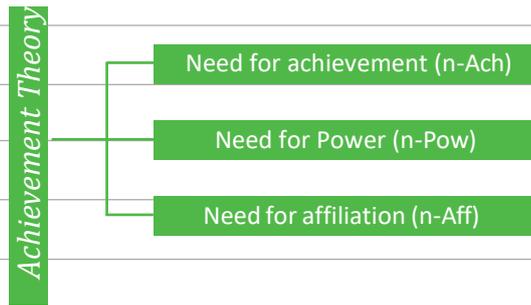- Need for affiliation (n-Aff)

Figure 5.9 Motivation Model by Mcclelland

1) **Need for Achievement (n Ach):-** The need for achievement would fall between needs for esteem and self actualization. This need is satisfied not by the manifestations of success, which confer status, but with the process of carrying work to its successful completion. This is the drive to excel, to achieve in relation to a set of standard, and to strive to succeed. In other words, need for achievement is a behavior directed towards competition with a standard of excellence. McClelland found that people with a high need for achievement perform better than those with a moderate or low need for achievement and noted regional/national differences in achievement motivation. Through his research, McClelland identified the following three characteristics of high need achievers:

- High need achievers have a strong desire to assume personal responsibility for performing a task or findinga solution to a problem.

- High need achievers tend to set moderately difficult goals and task calculated risks.

- High need achievers have a strong desire for performance feedback.

Individuals with a high need for achievement generally will take moderate risks, like situations in which they can take personal responsibility for finding solutions to problems and want concrete feedback on their performance. As McClelland points out, "No matter how high a person's need to achieve may be, he cannot succeed if he has no opportunities, if the organization keeps him from taking initiative, or does not reward him if he does good. Thus, if management wishes to motivate individuals operating on the achievement level, it should assign them tasks that involve a moderate degree of risk of failure, delegate to them enough authority, to take initiative in completing their tasks, and give them periodic, specific feedback on their performance.

2) **Need for Power (n Pow):-** The need for power is concerned with making an impact on other, the desire to influence other, the ways to change people, and the desire to make a difference in life. People with a high need for power are people who like to be in control of people and events. This results in ultimate satisfaction to man.

People who have a high need for power are characterized by:

- A desire to influence and direct somebody else.
- A desire to exercise and control over others.
- A concern for maintaining leader-follower relations.

The need for power is expressed as a desire to influence others. In relation to Maslow's need hierarchy, power would fall somewhere between the needs for esteem and self-actualization. People with a need for power tend to exhibit behaviors such as out-spookiness, forcefulness, willingness to engage in confrontation and a tendency to stand by their original position. They often are persuasive speakers and demand a great deal from others. Management often attracts people with a need for power because of the many opportunities it offers to exercise and increase power. Managers who are motivated by the need for power are not necessarily "power hungry" in the sense in which the expression is often used.

3) **Need for Affiliation (n Aff):-** The need for affiliation is defined as a desire to establish and maintain friendly and warm relations with other people. The need for affiliation, in many ways, is similar to Maslow's need hierarchy. The people with high need for affiliation have these characteristics:

- They have a strong desire for acceptance and approval from others.
- They tend to confirm to the wishes of those people whose friendship and companionship they value.
- They give value and feeling to others.

In conclusion, McClelland's definitive motive is similar to Maslow's theory. The person is concerned with forming friendly relations with others, desire for companionship, and the desire to help others. People dominated by inflictive need would be attracted to jobs that allow considerable social interactions interpersonal relations. A manager could also facilitate their need satisfaction by spending more time with such individuals and periodically bringing them together as a group.

Limitations of Achievement Theory

- The theory does not deal fully with the process of motivation and how it really takes place.
- Persons with high need for achievement expect similar results from others. As a result, they may lack
- human skills and patience for being effective managers.
- The use of protective techniques for developing achievement motive is objectionable.
- The research evidence in support of the achievement motivation theory is fragmentary and doubtful.

J. Stacy Adam's Equity Theory

Equity theory, most popularly known as equity theory of motivation, was first developed by John Stacey Adams, a workplace. Equity theory is simple and almost instinctual. Adams' Equity Theory calls for a fair balance to be struck between an employee's inputs (hard work, skill level, tolerance, enthusiasm, and so on) and an employee's outputs (salary, benefits, intangibles such as recognition, and so on).

The motivation equity theory calls for a balance between employee's inputs and outputs. If employees have a good grasp on what they are doing and what they want to achieve and how it will benefit them, they're more likely to stay motivated. It focuses on the premise that to be motivated, they're being rewarded fairly for the contribution from their side.

If the rewards don't match the efforts, employees feel distressed and demotivated. Result: Less motivation, fewer efforts, and bad results going forward.

The concept of equity and exchange relationships derived from it will help you understand this theory in a better way.

Overpaid Inequity :- When an individual perceives that his outcomes are more as compared to his inputs, in relation to others. The overpaid inequity can be expressed as:

$$\frac{\text{Person's Outcome}}{\text{Person's Inputs}} > \frac{\text{Other's Outcome}}{\text{Other's Inputs}}$$

Underpaid Inequity:- When an individual perceives that his outcomes are less as compared to his inputs, in relation to others. The Underpaid Equity can be expressed as:

$$\frac{Person's\ Outcome}{Person's\ Inputs} < \frac{Other's\ Outcome}{Other's\ Inputs}$$

Equity:- An individual perceives that his outcomes in relation to his inputs are equal to those of others. The equity can be expressed as-

$$\frac{Person's\ Outcome}{Person's\ Inputs} = \frac{Other's\ Outcome}{Other's\ Inputs}$$

Thus, Adams equity theory shows how motivation is derived from the working environment around us. If someone thinks they're treated fairly, they'll contribute more. If not, they won't perform well at all. It is where bias comes into the picture and if not addressed on time, it leads to good employees exiting the organization at the first opportunity they get.

There are two kinds of factors. Inputs and Outputs. It is helpful to consider and utilize them while working towards elevating employee experience to the next level at an organization. Let's have a detailed look at types of Input and Output factors for Adams' equity theory.

Inputs (Some common ones):
- Effort.
- Loyalty.
- Hard work.
- Commitment.
- Knowledge and experience.
- Skills.
- Ability.
- Adaptability.
- Flexibility.
- Acceptance of others.
- Determination.
- Enthusiasm.

- Trust in superiors.

- Support of colleagues.

- Personal sacrifice.

Outputs (Some common ones):

- Recognition.

- Financial rewards (such as salary, benefits, perks).

- Reputation.

- Responsibility.

- Sense of achievement.

- Praise.

- Stimulus.

- Sense of advancement/growth.

- Job security.

Not all inputs or outputs can be quantified and measured easily. However, the theory suggests that managers should help employees manage given input and expected output. Better balance leads to an increase in employee satisfaction. It's best to create a sense of fairness within a team to ensure maximum levels of motivation, engagement, and performance.

Adams equity theory of motivation has become popular among organizations as it helps HRs think and set better decision-making processes at the core. An individual is said to be highly motivated if he perceives to be treated fairly. While the feelings of de-motivation arise, if an individual perceives to be treated unfairly in the organization. The fact that removal of bias and fairness are important for motivation and employee wellbeing, has helped organizations prioritize their relationships with the employees. The ones who have adopted this theory have seen better engagement, higher retention rate, and overall a productive workforce. This is why motivation equity theory is great to implement in modern times.

Victor Vroom's Expectancy Theory:-

The expectancy theory was proposed by Victor Vroom of Yale School of Management in 1964. Vroom stresses and focuses on outcomes, and not on needs unlike Maslow and Herzberg. The

theory states that the intensity of a tendency to perform in a particular manner is dependent on the intensity of an expectation that the performance will be followed by a definite outcome and on the appeal of the outcome to the individual.

The Expectancy theory states that employee's motivation is an outcome of how much an individual wants a reward (Valence), the assessment that the likelihood that the effort will lead to expected performance (Expectancy) and the belief that the performance will lead to reward (Instrumentality).

- Valence is the significance associated by an individual about the expected outcome. It is an expected and not the actual satisfaction that an employee expects to receive after achieving the goals.

<div align="center">Valence: V(R) outcome → reward</div>

- Expectancy is the faith that better efforts will result in better performance. Expectancy is influenced by factors such as possession of appropriate skills for performing the job, availability of right resources, availability of crucial information and getting the required support for completing the job.

<div align="center">Expectancy: effort → performance (E→P)</div>

- Instrumentality is the faith that if you perform well, then a valid outcome will be there. Instrumentality is affected by factors such as believe in the people who decide who receives what outcome, the simplicity of the process deciding who gets what outcome, and clarity of relationship between performance and outcomes.

<div align="center">Instrumentality: performance → outcome (P→O)</div>

Thus, the expectancy theory concentrates on the following three relationships:

- Effort-performance relationship: What is the likelihood that the individual's effort be recognized in his performance appraisal?
- Performance-reward relationship: It talks about the extent to which the employee believes that getting a good performance appraisal leads to organizational rewards.

- Rewards-personal goals relationship: It is all about the attractiveness or appeal of the potential reward to the individual.

Vroom was of view that employees consciously decide whether to perform or not at the job. This decision solely depended on the employee's motivation level which in turn depends on three factors of expectancy, valence and instrumentality.

Expectancy theory of motivation in terms of a mathematical formula:

$$Motivation = Valence \times Expectancy \times Instrumentality.$$

Advantages of the Expectancy Theory

- It is based on self-interest individual who want to achieve maximum satisfaction and who wants to minimize dissatisfaction.
- This theory stresses upon the expectations and perception; what is real and actual is immaterial.
- It emphasizes on rewards or pay-offs.
- It focuses on psychological extravagance where final objective of individual is to attain maximum pleasure and least pain.

Limitations of the Expectancy Theory

- The expectancy theory seems to be idealistic because quite a few individuals perceive high degree correlation between performance and rewards.
- The application of this theory is limited as reward is not directly correlated with performance in many organizations. It is related to other parameters also such as position, effort, responsibility, education, etc.

Implications of the Expectancy Theory

- The managers can correlate the preferred outcomes to the aimed performance levels.
- The managers must ensure that the employees can achieve the aimed performance levels.
- The deserving employees must be rewarded for their exceptional performance.
- The reward system must be fair and just in an organization.
- Organizations must design interesting, dynamic and challenging jobs.
- The employee's motivation level should be continually assessed through various techniques such as questionnaire, personal interviews, etc.

CHAPTER 5.7 – DECISION-MAKING – TYPES AND PROCESS

DECISION MAKING MANAGEMENT KA CORE HAI- MANAGER PROBLEMS IDENTIFY KARKE, ALTERNATIVES EVALUATE KARKE, BEST OPTION CHOOSE KARKE ORGANISATION KO SAHI DIRECTION DETA HAI

5.7.1 Decision Making

Every organization needs to take decisions at one point or other as part of managerial process. Decisions are made in the best interest of the organization. For that matter, decisions made by the organization are to lighten the way forward. Be it strategic, or any business activities, processes of making decisions is complex, involves professionals of different genre. While small organization involves all levels of managers, complex organizations largely depend on a team of professionals specially trained to make all sorts of decisions. Decisions are taken to support organizational growth. The whole fabric of management, i.e. its day to day operation is rightly built on managerial decisions.

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. So, one of the indispensable components of management of organisations is the 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.

Definition of Decision Making

Author	Definition
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

John Mcdonald	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.

Characteristics of Decision Making

On the basis of above definitions the main characteristics of decision making are as follows.

- Decision making is a process of making a rational choice or selecting one of the various alternative courses of action.
- Decision making is necessary only when different alternative solutions are available.
- Decision making is a purposeful activity.
- Decision making involves the commitment of resources and reputation of the organization.
- Decision making is always related to the situation or environment.

5.7.2 Types of Decision Making

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.

5.7.3 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 decision-making 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 Facts, 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

(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 necessary, that all organisational members participate in the decision making as decision implementation.

5.7.4 Techniques of Decision Making

Two types of decision making techniques are as follows: Quantitative Techniques of Decision Making

i.   Linear Programming: It is the technique for optimization of an objective function under given resources and constraints. The objective function is either maximisation of some utility or minimization 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 judgment 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 interrelation, to segregate sequential activities from simultaneous ones and to estimate the probable time and cost of their completion.

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, and 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.

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:

i. 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.

ii. Determination of appropriate decision-making work-load at each centre, so as to minimise the possibility of overloading at any centre.

iii. Co-ordination of various decisions making centres through communication and other means so as to ensure consistency and co-operation in making decisions

iv. Establishment of expert advisory staff units to provide the needed intellectual and professional inputs for decision making.

| v. | Formulation and communication of organisational objectives, policies, decision rules and procedures to serve as guidelines to managers in their decision making function. |
| vi. | Design and installation of decision support systems which include information and control systems so as to provide logistic support to managers. |

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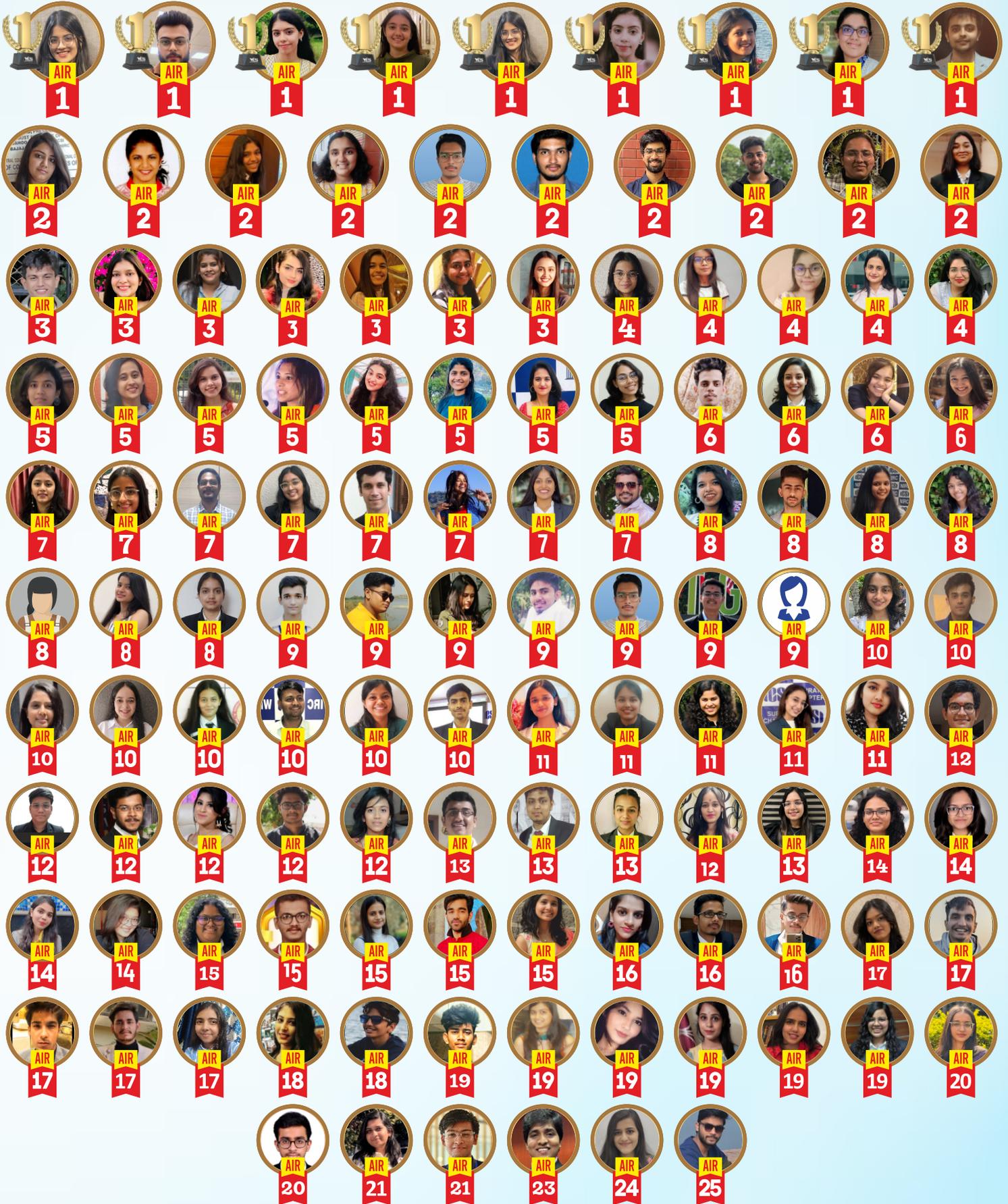
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CS SUCHI GOEL

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