

Business Management

Introduction:

Management is universal in the modern industrial world and there is no substitute for good management. It makes human efforts more productive and brings better technology, products and services to our society. It is a crucial economic resource and a life giving element in business. Without proper management, the resources of production (men, machines and materials, money) cannot be converted into production. Thus management is a vital function concerned with all aspects of the working of an organization.

Management is a must to accomplish desired goals through group action. It is essential to convert the disorganized resources of men, machines, materials and methods into a useful and effective enterprise.

Thus management is the function of getting things done through people and directing the efforts of individuals towards a common objective.

Meaning

Management is the art of getting things done by a group of people with the effective utilisation of available resources.

Definition

Louis Allan “Management is what a manager does”.

Henry Fayol” To manage is to forecast and plan, to organize, to command, to co-ordinate and to control”.

Nature and scope of Management

- It is a Multi Disciplinary.
- It is Dynamic Nature of Principles.
- It is in Relative, Not Absolute Principles.
- Management is a Science or Art.
- Management as a Profession.
- Universality of Management.

Importance of Management:

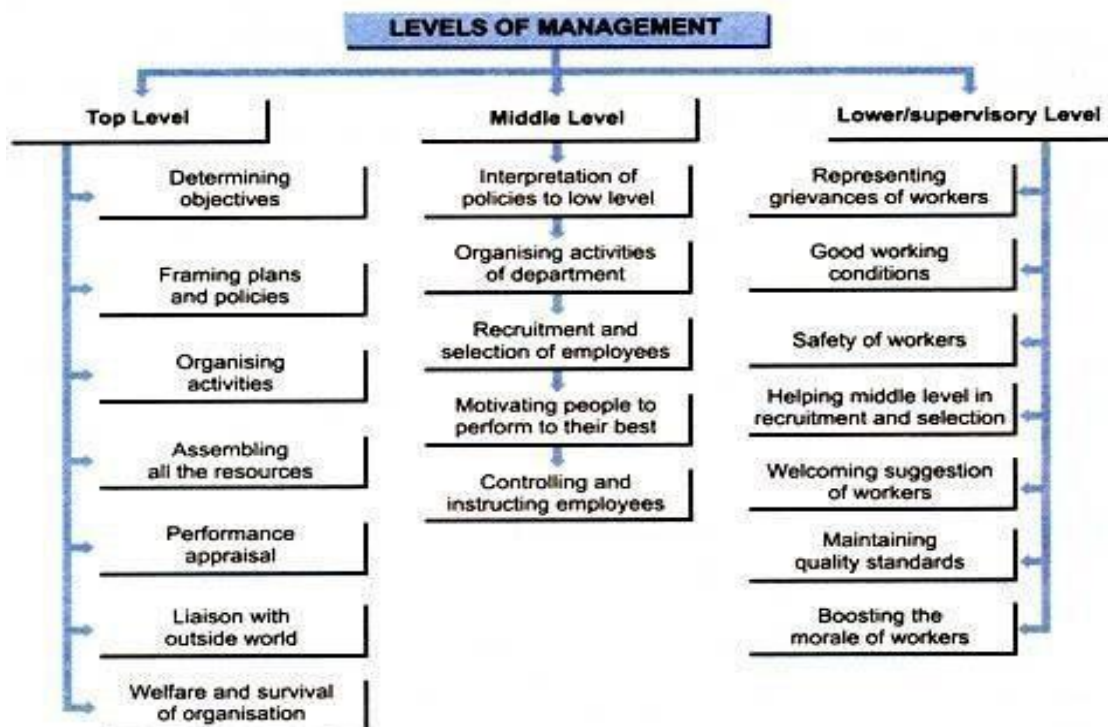
Management is overall the most important factor because no business runs on itself, even no momentum. Every business needs repeated stimulus which can only be provided by

management. Thus, management is dynamic, life giving element without which the “factors of production “will remain as were factors not become Production “.

The following points bring out the importance of management.

1. Accomplishment of group goals.
2. Efficient operations of business.
3. Sound organization structure.

Levels of Management



I) Top Level:

Top level management consists of Chairman, Board of Directors, Managing Director, General Manager, President, Vice President, Chief Executive Officer (C.E.O.), Chief Financial Officer (C.F.O.) and Chief Operating Officer etc. It includes group of crucial

persons essential for leading and directing the efforts of other people. The managers working at this level have maximum authority.

II) Middle Level:

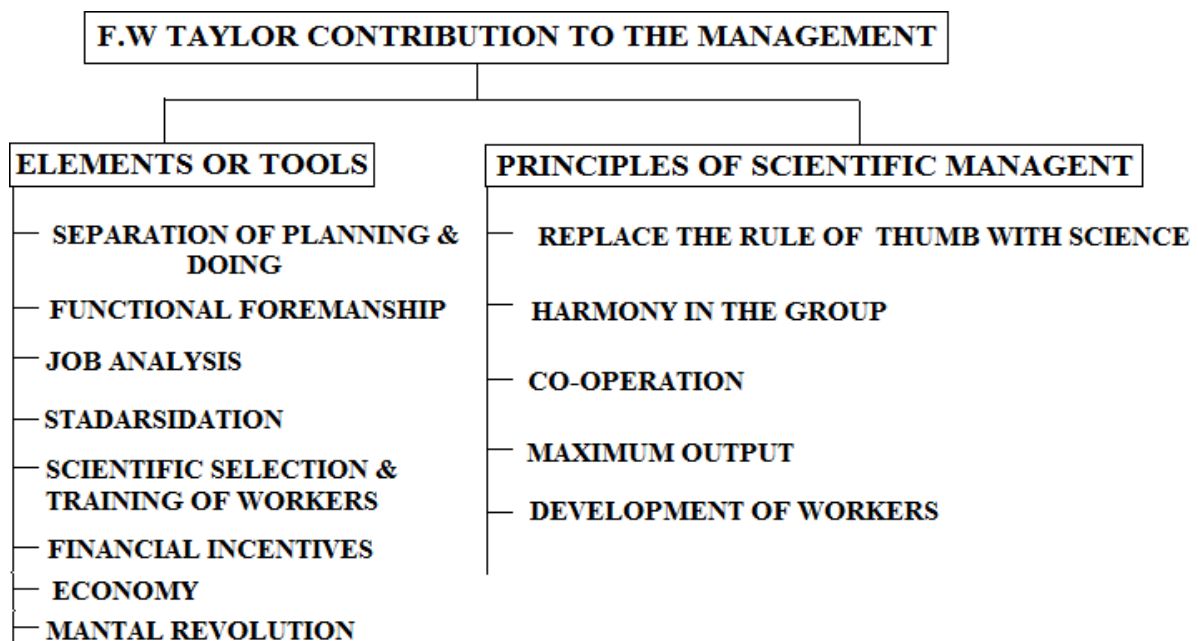
This level of management consists of departmental heads such as purchase department head, sales department head, finance manager, marketing manager, executive officer, plant superintendent, etc. People of this group are responsible for executing the plans and policies made by top level. They act as a linking pin between top and lower level management. They also exercise the functions of top level for their department as they make plans and policies for their department, organise and collect the resources etc.

III) Supervisory Level / Operational Level:

This level consists of supervisors, superintendent, foreman, sub-department executives; clerk, etc. Managers of this group actually carry on the work or perform the activities according to the plans of top and middle level management. Their authority is limited. The quality and quantity of output depends upon the efficiency of this level of managers. They pass on the instruction to workers and report to the middle level management. They are also responsible for maintaining discipline among the workers

F.W Taylor Contribution to the Management:

“Scientific management is concerned with art of knowing exactly what you want to do and then see in that they do it in the best and cheapest way”



Tools:

- ✓ Separation of planning & doing
- ✓ Functional Foremanship
- ✓ Job Analysis
- ✓ Standardization
- ✓ Scientific selection and training of workers
- ✓ Financial Incentives
- ✓ Economy
- ✓ Mental Revolution

Principles of Scientific Management

- ✓ Replacing rule of thumb with science
- ✓ Harmony in group action
- ✓ Co-operation
- ✓ Maximum output
- ✓ Development of workers

Criticism of Scientific Management:

The theory of Scientific Management was heavily criticised by the employers, the workers, and psychologists. Employers criticised the process of scientific approach as costly and unworkable.

- It ignores the functional areas of management such as marketing, finance and so on
- Individual creativity is ignored by favouring one best way Workers is reduced to a cog in the machines.
- Mobility among workers gets restricted because of narrow specialization
- Workers are not involved in the planning part of the job which was controlled by the management.

Contribution of Henry Fayol to Management Thought

Henry Fayol (1841-1925) is rightly treated as the father of modern theory of general and industrial management In the development of classical school of management thought, Fayol's administrative theory provides an important link. While Taylor succeeded in revolutionising the working of factory shop-floor in terms of devising the best method, fair day's work, differential piece-rate system and functional foremanship; Henri Fayol explained what amounts to a manager's work and what principles should be followed in doing this

work. If workers' efficiency mattered in the factory system, so does the managerial efficiency. Fayol's contribution must be interpreted in terms of the impact that his writings had and continue to have improvement in managerial efficiencies.

The 14 principles of management given by him are:

(i) Division of Work:

Work is divided into small tasks/jobs. A trained specialist who is competent is required to perform each job. Thus, division of work leads to specialisation. According to Fayol, "The intent of division of work is to produce more and better work for the same effort. Specialisation is the most efficient way to use human effort." In business work can be performed more efficiently if it is divided into specialised tasks; each performed by a specialist or trained employee. This results in efficient and effective output. Thus, in a company we have separate departments for finance, marketing, production and human resource development etc. All of them have specialised persons. Collectively they achieve production and sales targets of the company. Fayol applies this principle of division of work to all kinds of work – technical as well as managerial. You can observe this principle at work in any organisation like hospital or even a government office.

(ii) Authority and Responsibility:

According to Fayol, "Authority is the right to give orders and obtain obedience, and responsibility is the corollary of authority. The two types of authority are official authority, which is the authority to command, and personal authority which is the authority of the individual manager." Authority is both formal and informal. Managers require authority commensurate with their responsibility.

There should be a balance between authority and responsibility. An organisation should build safeguards against abuse of managerial power. At the same time a manager should have necessary authority to carry out his responsibility. For example, a sales manager has to negotiate a deal with a buyer. She finds that if she can offer credit period of 60 days she is likely to clinch the deal which is supposed to fetch the company net margin of say ` 50 crores. Now the company gives power to the manager to offer a credit period of only 40 days. This shows that there is an imbalance in authority and responsibility

(iii) Discipline:

Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties. Suppose management and labour union have entered into an agreement whereby workers

have agreed to put in extra hours without any additional payment to revive the company out of loss. In return the management has promised to increase wages of the workers when this mission is accomplished. Here discipline when applied would mean that the workers and management both honour their commitments without any prejudice towards one another.

(iv) Unity of Command:

According to Fayol there should be one and only one boss for every individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organisation should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle

(v) Unity of Direction:

All the units of an organisation should be moving towards the same objectives through coordinated and focussed efforts. Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination. For example, if a company is manufacturing motorcycles as well as cars then it should have two separate divisions for both of them. Each division should have its own incharge, plans and execution resources. On no account should the working of two divisions overlap. Now let us differentiate between the two principles of unity of command and unity of direction.

(vi) Subordination of Individual Interest to General Interest:

The interests of an organisation should take priority over the interests of any one individual employee according to Fayol. Every worker has some individual interest for working in a company.

(vii) Remuneration of Employees:

The overall pay and compensation should be fair to both employees and the organisation. The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company. In other words, remuneration should be just and equitable. This will ensure congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth.

(viii) Centralisation and Decentralisation:

The concentration of decision-making authority is called centralisation whereas its dispersal among more than one person is known as decentralisation. According to Fayol, "There is a need to balance subordinate involvement through decentralisation with managers' retention of final authority through centralisation." The degree of centralisation

will depend upon the circumstances in which the company is working. In general large organisations have more decentralisation than small organisations. For example, panchayats in our country have been given more powers to decide and spend funds granted to them by the government for the welfare of villages. This is decentralisation at the national level.

(ix) Scalar Chain:

An organisation consists of superiors and subordinates. The formal lines of authority from highest to lowest ranks are known as scalar chain. According to Fayol, “Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates.”

(x) Order:

According to Fayol, “People and materials must be in suitable places at appropriate time for maximum efficiency.” The principle of order states that ‘A place for everything (everyone) and everything (everyone) in its (her/his) place’. Essentially it means orderliness. If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business/ factory. This will lead to increased productivity and efficiency.

(xi) Equity:

Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible,” according to Fayol. This principle emphasises kindness and justice in the behaviour of managers towards workers. This will ensure loyalty and devotion. Fayol does not rule out use of force sometimes. Rather he says that lazy personnel should be dealt with sternly to send the message that everyone is equal in the eyes of the management. There should be no discrimination against anyone on account of sex, religion, language, caste, belief or nationality etc. In practice we can observe that now a days in multinational corporations people of various nationalities work together in a discrimination free environment. Equal opportunities are available for everyone in such companies to rise.

(xii) Stability of Personnel:

“Employee turnover should be minimised to maintain organisational efficiency”, is according to Fayol. Personnel should be selected and appointed after due and rigorous procedure. But once selected they should be kept at their post/ position for a minimum fixed tenure. They should have stability of tenure. They should be given reasonable time to show results. Any adhocism in this regard will create instability/insecurity among employees. They would tend to leave the organisation. Recruitment, selection and training cost will be high. So stability in tenure of personnel is good for the business.

(xiii) Initiative:

Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. It is one of the traits of an intelligent person. Initiative should be encouraged. But it does not mean going against the established practices of the company for the sake of being different. A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be rewarded.

(xiv) Esprit De Corps:

Management should promote a team spirit of unity and harmony among employees, according to Fayol. Management should promote teamwork especially in large organisations because otherwise objectives would be difficult to realise. It will also result in a loss of coordination. A manager should replace ‘I’ with ‘We’ in all his conversations with workers to foster team spirit. This will give rise to a spirit of mutual trust and belongingness among team members.

Distinction between Administration and Management

Administration	Management
It is concerned with the formation of with objectives, plans and policies.	It means getting things done through and people.
It is a thinking function.	It is a doing function
It is a top- level management function.	It is a lower –level management functions.
It makes major policy decisions.	It makes decisions with the frame work of administration.
Decisions are influenced by external factors such as social, political, legal etc.	Decisions are influenced by internal factors such as values, beliefs, and opinions.
Administration is often associated with government policies.	Management is widely used in the business world.

PLANNING PROCESS

Meaning

Planning is an intellectual process of thinking resorted to decide a course of action which helps achieve the pre-determined objectives of the organization in future.

Definition

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

Planning is the process by which managers establish goals and define the methods by which these goals are to be attained. Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making, which is choosing from among alternative future courses of action.

Planning is deciding in advance what is to be done; that is a plan is a projected course of action."

Objectives of planning

1. To reduce uncertainty
2. To bring co-operation and co-ordination in the organisation
3. To bring economy in operations
4. Helps to anticipate unpredictable contingencies
5. To achieve the pre determined goals
6. To reduce competition.

Features of Planning

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

Importance/Significance of Planning

1. Planning provides Direction:

Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do, etc. By stating in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve its desired goal.

2. Planning Reduces the risk of uncertainties:

Organisations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.

3. Planning reduces over lapping and wasteful activities:

The organisational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main organisational plan. As a result there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

4. Planning Promotes innovative ideas:

Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

5. Planning Facilitates Decision Making:

Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

6. Planning establishes standard for controlling:

Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not.

For example, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80 unit production up to 100 units but if the planned output, i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

7. Focuses attention on objectives of the company:

Planning function begins with the setting up of the objectives, policies, procedures, methods and rules, etc. which are made in planning to achieve these objectives only. When employees follow the plan they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of organisational goals and objectives.

Limitations of Planning

1. Planning leads to rigidity:

Once plans are made to decide the future course of action the manager may not be in a position to change them. Following predefined plan when circumstances are changed may not bring positive results for organisation. This kind of rigidity in plan may create difficulty.

2. Planning may not work in dynamic environment:

Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent.

3. It reduces creativity:

With the planning the managers of the organisation start working rigidly and they become the blind followers of the plan only. The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

4. Planning involves huge Cost:

Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process. Along with the salary of these experts the company has to spend lot of time and money to collect accurate facts and figures. So, it is a cost-consuming process. If the benefits of planning are not more than its cost then it should not be carried on.

5. It is a time consuming process:

Planning process is a time-consuming process because it takes long time to evaluate the alternatives and select the best one. Lot of time is needed in developing planning premises. So, because of this, the action gets delayed. And whenever there is a need for prompt and immediate decision then we have to avoid planning.

6. Planning does not guarantee success:

Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in managers to rely on pretested plans.

It is not true that if a plan has worked successfully in past, it will bring success in future also as there are so many unknown factors which may lead to failure of plan in future. Planning only provides a base for analysing future. It is not a solution for future course of action.

7. Lack of accuracy:

In planning we are always thinking in advance and planning is concerned with future only and future is always uncertain. In planning many assumptions are made to decide about future course of action. But these assumptions are not 100% accurate and if these assumptions do not hold true in present situation or in future condition then whole planning will fail.

Advantages of Planning

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

1. It helps the better utilization of resources
2. It helps in achieving the objectives
3. It helps in achieving economy in operations
4. It minimizes future uncertainties
5. It improves competitive strength
6. It helps effective control
7. It helps to give motivation to the employees

8. It develop rationality among management executives
9. It reduces red tapism
10. It encourages innovative thought
11. It improves the ability to cope with changes.
12. It create forward looking attitude in Management
13. It helps in delegation of authority
14. It provide basis for control

Steps in Planning Process

1] Recognizing Need for Action

An important part of the planning process is to be aware of the business opportunities in the firm's external environment as well as within the firm. Once such opportunities get recognized the managers can recognize the actions that need to be taken to realize them. A realistic look must be taken at the prospect of these new opportunities and SWOT analysis should be done.

2] Setting Objectives

This is the second and perhaps the most important step of the planning process. Here we establish the objectives for the whole organization and also individual departments. Organizational objectives provide a general direction; objectives of departments will be more planned and detailed.

3] Developing Premises

Planning is always done keeping the future in mind; however, the future is always uncertain. So in the function of management certain assumptions will have to be made. These assumptions are the premises. Such assumptions are made in the form of forecasts, existing plans, past policies, etc.

4] Identifying Alternatives

The fourth step of the planning process is to identify the alternatives available to the managers. There is no one way to achieve the objectives of the firm, there is a multitude of choices. All of these alternative courses should be identified. There must be options available to the manager.

5] Examining Alternate Course of Action

The next step of the planning process is to evaluate and closely examine each of the alternative plans. Every option will go through an examination where all there pros and cons

will be weighed. The alternative plans need to be evaluated in light of the organizational objectives.

6] Selecting the Alternative

Finally, we reach the decision making stage of the planning process. Now the best and most feasible plan will be chosen to be implemented. The ideal plan is the most profitable one with the least amount of negative consequences and is also adaptable to dynamic situations. .

7] Formulating Supporting Plan

Once you have chosen the plan to be implemented, managers will have to come up with one or more supporting plans. These secondary plans help with the implementation of the main plan. For example plans to hire more people, train personnel, expand the office etc are supporting plans for the main plan of launching a new product. So all these secondary plans are in fact part of the main plan.

8] Implementation of the Plan

And finally, we come to the last step of the planning process, implementation of the plan. This is when all the other functions of management come into play and the plan is put into action to achieve the objectives of the organization. The tools required for such implementation involve the types of plans- procedures, policies, budgets, rules, standards etc.

Management by Objectives

Introduction

Management by Objectives, often shortened to MBO, is simply one of several management models that have been used, and are still being used even today. This technique allows management to focus on the attainable goals of the organization, and to work towards achieving the best possible results, using the resources available to the organization at that point in time.

Meaning and definition

Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans encourages participation and commitment among employees, as well as aligning objectives across the organization.

It refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace. Management by Objectives defines roles and responsibilities for the employees and help them chalk out their future course of action in the organization.

Benefits of MBO

1. Better Managing
2. Clarifying Organisation
3. Encouraging Personal Commitment
4. Developing Controls Process of MBO

Steps in MBO process

1. Define organizational goals
2. Define employees objectives
3. Continuous monitoring performance and progress
4. Performance evaluation
5. Providing feedback
6. Performance appraisal

ORGANIZATION

Meaning

Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern. According to *Chester Barnard*, "Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

Definition

Chester Bernard, "A system of co-operative activities of two or more persons is called organization.

A manager performs organizing function with the help of following steps:-

1. Identification of activities

All the activities which have to be performed in a concern have to be identified first. For example, preparation of accounts, making sales, record keeping, quality control, inventory control, etc. All these activities have to be grouped and classified into units.

2. Departmentally organizing the activities

In this step, the manager tries to combine and group similar and related activities into units or departments. This organization of dividing the whole concern into independent units and departments is called departmentation

3. Classifying the authority

Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy. The top management is into formulation of policies, the middle level management into departmental supervision and lower level management into supervision of foremen. The clarification of authority helps in bringing efficiency in the running of a concern. This helps in achieving efficiency in the running of a concern. This helps in avoiding wastage of time, money, effort, in avoidance of duplication or overlapping of efforts and this helps in bringing smoothness in a concern's working.

4. Co-ordination between authority and responsibility

Relationships are established among various groups to enable smooth interaction toward the achievement of the organizational goal. Each individual is made aware of his authority and he/she knows whom they have to take orders from and to whom they are accountable and to whom they have to report. A clear organizational structure is drawn and all the employees are made aware of it.

Importance of Organizing Function

1. Specialization

Organizational structure is a network of relationships in which the work is divided into units and departments. This division of work is helping in bringing specialization in various activities of concern.

2. Well defined jobs

Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helping in defining the jobs properly which clarifies the role of every person.

3. Clarifies authority

Organizational structure helps in clarifying the role positions to every manager (status quo). This can be done by clarifying the powers to every manager and the way he has to exercise those powers should be clarified so that misuse of powers do not take place. Well defined jobs and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.

4. Co-ordination

Organization is a means of creating co-ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensure mutual co-operation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level manager.

5. Effective administration

The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.

6. Growth and diversification

A company's growth is totally dependent on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its potential grow. This is possible only when the organization structure is well- defined. This is possible through a set of formal structure.

7. Sense of security

Organizational structure clarifies the job positions. The roles assigned to every manager are clear. Co-ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job- satisfaction.

8. Scope for new changes

Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organizational structure.

Principles of Organizing.

1. Principle of Specialization

According to the principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization.

2. Principle of Functional Definition

According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority-responsibility relationships help in achieving co-ordination and thereby organization can take place effectively. For example, the primary functions of production, marketing and finance and the authority responsibility relationships in these departments should be clearly defined to every person attached to that department. Clarification in the authority-responsibility relationship helps in efficient organization.

3. Principles of Span of Control/Supervision

According to this principle, span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. This decision can be taken by choosing either from a wide or narrow span. There are two types of span of control:-

a. Wide span of control-

It is one in which a manager can supervise and control effectively a large group of persons at one time. The features of this span are:-

- i. Less overhead cost of supervision
- ii. Prompt response from the employees
- iii. Better communication
- iv. Better supervision
- v. Better co-ordination
- vi. Suitable for repetitive jobs

b. Narrow span of control-

According to this span, the work and authority is divided amongst many subordinates and a manager doesn't supervises and control a very big group of people under him. The

manager according to a narrow span supervises a selected number of employees at one time.

The features are:-

- i. Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.
- ii. Co-ordination is difficult to be achieved.
- iii. Communication gaps can come.
- iv. Messages can be distorted.
- v. Specialization work can be achieved.

**Authority Flows from
Top to Bottom**

Managing Director



Marketing Manager



Sales/ Media Manager



Salesmen

Principles of Organisation Charts

- (i) The top management should faithfully follow the line of authority while dealing with subordinates. Any attempt to buy pass the organization chart will make it meaningless.
- (ii) The chart should define lines of position. The lines of different individuals should be so defined so that there is no overlapping and no two persons should be given the same position.
- (iii) The undue concentration of duty at any point should be avoided.
- (iv) The organization chart should not be influenced by personalities. Balance of organization should be given more importance than the individuals.
- (v) The organization chart should be simple and flexible

Characteristics of Organizing

Division of Labour:

Work is assigned to the employee who is specialised in that work.

Coordination:

Different members of the organization are given different tasks to perform when all the tasks are put together logically and sequentially, it results in the objectives, so coordination is required.

Objectives:

Objectives need to be specifically defined.

Authority-Responsibility Structure:

For an effective authority responsibility structure, the position of each manager and executive is specified, as per the degree of the authority and responsibility assigned to them, while performing the duties.

Communication:

The techniques flow and importance of communication must be known to all the members.

Difference between Formal Organisation and Informal Organisation

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

Line Organization

Line organization is the oldest and simplest method of administrative organization. According to this type of organization, the authority flows from top to bottom in a concern. The line of command is carried out from top to bottom. This is the reason for calling this organization as scalar organization which means scalar chain of command is a part and parcel of this type of administrative organization. In this type of organization, the line of command flows on an even basis without any gaps in communication and co-ordination taking place.

Features of Line Organization

1. It is the simplest form of organization.
2. Line of authority flows from top to bottom.
3. Specialized and supportive services do not take place in these organization.
4. Unified control by the line officers can be maintained since they can independently take decisions in their areas and spheres.
5. This kind of organization always helps in bringing efficiency in communication and bringing stability to a concern.

Merits of Line Organization

1. Simplest-

It is the most simple and oldest method of administration.

2. Unity of Command-

In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.

3. **Better discipline-** The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.

4. Fixed responsibility-

In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.

5. Flexibility-

There is a co-ordination between the top most authority and bottom line authority. Since the authority relationships are clear, line officials are independent and can flexibly take the decision. This flexibility gives satisfaction of line executives.

6. Prompt decision-

Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

Demerits of Line Organization

1. over reliance

The line executive's decisions are implemented to the bottom. This results in over-relying on the line officials.

2. Lack of specialization

A line organization flows in a scalar chain from top to bottom and there is no scope for specialized functions. For example, expert advices whatever decisions are taken by line managers are implemented in the same way.

3. Inadequate communication-

The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end. The complaints and suggestions of lower authority are not communicated back to the top authority. So there is one way communication.

4. Lack of Co-ordination-

Whatever decisions are taken by the line officials, in certain situations wrong decisions, are carried down and implemented in the same way. Therefore, the degree of effective co-ordination is less.

5. Authority leadership-

The line officials have tendency to misuse their authority positions. This leads to autocratic leadership and monopoly in the concern.

Line and Staff Organization

Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives and staff supervisors guide, advice and council the line executives. Personal Secretary to the Managing Director is a staff official



Features of Line and Staff Organization

1. There are two types of staff:
 - a. Staff Assistants- P.A. to Managing Director, Secretary to Marketing Manager.
 - b. Staff Supervisor- Operation Control Manager, Quality Controller, PRO
2. Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
3. Division of work and specialization takes place in line and staff organization.
4. The whole organization is divided into different functional areas to which staff specialists are attached.
5. Efficiency can be achieved through the features of specialization.
6. There are two lines of authority which flow at one time in a concern :
 - a. Line Authority
 - b. Staff Authority
7. Power of command remains with the line executive and staff serves only as counselors.

Merits of Line and Staff Organization

1. Relief to line of executives-

In a line and staff organization, the advice and counselling which is provided to the line executives divides the work between the two. The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.

2. Expert advice-

The line and staff organization facilitates expert advice to the line executive at the time of need. The planning and investigation which is related to different matters can be done by the staff specialist and line officers can concentrate on execution of plans.

3. Benefit of Specialization-

Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This way every officer or official can concentrate in its own area.

4. Better co-ordination-

Line and staff organization through specialization is able to provide better decision making and concentration remains in few hands. This feature helps in bringing co-ordination in work as every official is concentrating in their own area.

5. Benefits of Research and Development-

Through the advice of specialized staff, the line executives, the line executives get time to execute plans by taking productive decisions which are helpful for a concern. This gives a wide scope to the line executive to bring innovations and go for research work in those areas. This is possible due to the presence of staff specialists.

d. Therefore planning is the basic or fundamental function of management.

6. Planning is a Continuous Process.

a. Planning is a never ending function due to the dynamic business environment.

b. Plans are also prepared for specific period of time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions.

c. Planning never comes into end till the enterprise exists issues, problems may keep cropping up and they have to be tackled by planning effectively.

7. Planning is all Pervasive.

a. It is required at all levels of management and in all departments of enterprise.

b. Of course, the scope of planning may differ from one level to another.

c. The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.

8. Planning is designed for efficiency.

a. Planning leads to accomplishment of objectives at the minimum possible cost.

b. It avoids wastage of resources and ensures adequate and optimum utilization of resources.

c. A plan is worthless or useless if it does not value the cost incurred on it.

d. Therefore planning must lead to saving of time, effort and money.

e. Planning leads to proper utilization of men, money, materials, methods and machines.

9. Planning is Flexible.

a. Planning is done for the future.

b. Since future is unpredictable, planning must provide enough room to cope with the changes in customer's demand, competition, and govt. policies etc.

c. Under changed circumstances, the original plan of action must be revised and updated to make it more practical.

Advantages of Planning

1. Planning facilitates management by objectives.

- a. Planning begins with determination of objectives.
- b. It highlights the purposes for which various activities are to be undertaken.
- c. In fact, it makes objectives more clear and specific.
- d. Planning helps in focusing the attention of employees on the objectives or goals of enterprise.
- e. Without planning an organization has no guide.
- f. Planning compels manager to prepare a Blue-print of the courses of action to be followed for accomplishment of objectives.
- g. Therefore, planning brings order and rationality into the organization.

2. Planning minimizes uncertainties.

- a. Business is full of uncertainties.
- b. There are risks of various types due to uncertainties.
- c. Planning helps in reducing uncertainties of future as it involves anticipation of future events.
- d. Although future cannot be predicted with cent percent accuracy but planning helps management to anticipate future and prepare for risks by necessary provisions to meet unexpected turn of events.
- e. Therefore with the help of planning, uncertainties can be forecasted which helps in preparing standbys as a result, uncertainties are minimized to a great extent.

3. Planning facilitates co-ordination.

- a. Planning revolves around organizational goals.
- b. All activities are directed towards common goals.
- c. There is an integrated effort throughout the enterprise in various departments and groups.
- d. It avoids duplication of efforts. In other words, it leads to better co-ordination.
- e. It helps in finding out problems of work performance and aims at rectifying the same.

4. Planning improves employee's moral.

- a. Planning creates an atmosphere of order and discipline in organization.
- b. Employees know in advance what is expected of them and therefore conformity can be achieved easily.

- c. This encourages employees to show their best and also earn reward for the same.
- d. Planning creates a healthy attitude towards work environment which helps in boosting employees moral and efficiency.

5. Planning helps in achieving economies.

- a. Effective planning secures economy since it leads to orderly allocation of resources to various operations.
- b. It also facilitates optimum utilization of resources which brings economy in operations.
- c. It also avoids wastage of resources by selecting most appropriate use that will contribute to the objective of enterprise. For example, raw materials can be purchased in bulk and transportation cost can be minimized. At the same time it ensures regular supply for the production department, that is, overall efficiency.

6. Planning facilitates controlling.

- a. Planning facilitates existence of certain planned goals and standard of performance.
- b. It provides basis of controlling.
- c. We cannot think of an effective system of controlling without existence of well thought out plans.
- d. Planning provides pre-determined goals against which actual performance is compared.
- e. In fact, planning and controlling are the two sides of a same coin. If planning is root, controlling is the fruit.

7. Planning provides competitive edge.

- a. Planning provides competitive edge to the enterprise over the others which do not have effective planning. This is because of the fact that planning may involve changing in work methods, quality, quantity designs, extension of work, redefining of goals, etc.
- b. With the help of forecasting not only the enterprise secures its future but at the same time it is able to estimate the future motives of its competitor which helps in facing future challenges.
- c. Therefore, planning leads to best utilization of possible resources, improves quality of production and thus the competitive strength of the enterprise is improved.

8. Planning encourages innovations.

- a. In the process of planning, managers have the opportunities of suggesting ways and means of improving performance.

b. Planning is basically a decision making function which involves creative thinking and imagination that ultimately leads to innovation of methods and operations for growth and prosperity of the enterprise.

DELEGATION OF AUTHORITY

Meaning

Delegation is a process which enables a person to assign a work to others and delegate them with adequate authority to do it.

Types of Delegation

1. General delegation:

It means granting authority to the subordinate to perform various managerial functions and exercise control over them.

2. Specific delegation:

Here, orders or instructions are delegated to a particular person specifically.

3. Written delegation:

When authority is delegated in written words it is known as written delegation.

4. Unwritten delegation:

If authority is delegated on the basis of custom or usage etc, it is known as unwritten delegation.

5. Formal delegation:

If duties and authority are shown in the organizational structure of the enterprise, then it is called formal delegation.

6. Informal delegation:

If a person exercising authority without getting it from the top management in order to perform his assigned duties, it is a case of informal delegation.

7. Downward delegation: It is a case where the superior delegate duties and authority to his immediate sub ordinate.

8. Sideward delegation: A person delegate authority to another person who is also in the same rank as he is in the organization

Authority-Responsibility Structure:

For an effective authority responsibility structure, the position of each manager and executive is specified, as per the degree of the authority and responsibility assigned to them, while performing the duties.

CENTRALISATION

Meaning

Centralisation means the concentration of formal authority at the top levels of an organisation. It is a tendency aimed at centralised performance. Hence, it is the 'opposite of dispersal and delegation of authority:

Merits of Centralisation

- a) It is easier to develop uniform policies and, practices in a centralised organisation. Moreover, it can effectively achieve conformity to the prescribed procedures and can bring about better coordination among the various units and levels of the organisation.
- b) Such a system further adds to the prestige and influence of the top executives. Authority being concentrated at the top level, it is easier to identify the key persons who exercise the real authority.
- c) If process of centralisation is strengthened, duplication in an administrative organisation can be avoided.
- d) It has been claimed by Menin Kohn that a centralised organisation develops a corporate personality by enabling the full utilisation of the personnel and the equipment in organisation.

Demerits of Centralisation

- a) A centralised organisation does not allow the development of second line of executives as all the lower levels are more dependent on the orders and directions of the top executives.
- b) The concept of centralisation works against the possible diversification or expansion of the organisation. The local needs of the organisation cannot be understood in the right perspective by the centralised executive.
- c) There is a minimum use of the concept of delegation of authority because real authority always lies in the top levels of the organisation. Thus for a decision on every matter, the top executive has to be approached.
- d) As the subordinates have to approach the superiors for taking even minor decisions, the work in the organisation suffers and unnecessary delay is caused.

DECENTRALISATION

Meaning

The term decentralisation is understood differently by different individuals or groups. Louis A. Allen refers to it as one of the most confused and confusing of the administrative techniques that characterises the art and science of professional management.

Merits of Decentralisation

- a) A decentralised organisation 'is more responsive 'to the needs and demands of the local area and the people. In the Indian context, the local government institutions have been given some limited authority for taking decisions at the local level.
- b) Delegation of authority is an essential aspect of a decentralised organisation. The higher level organisations share their authority with the lower level organisations.
- c) A decentralised organisation encourages innovations as it welcomes creative ideas and new techniques recommended by the lower levels of the organisation.

Demerits of Decentralisation

- a) In a decentralised organisation communication among various levels becomes ' difficult. At times the message communicated from top becomes blurred and changes its contents and meaning when it reaches the concerned individual in the organisation
- . b) It is very difficult to introduce effective system of coordination both at policy making and policy implementation levels.

STAFFING PROCESS

Meaning

Staffing function comprises the activity of selection and placement of competent personal. Staffing includes selection of right persons, training to those needs persons promotion of best person, retirement of old person etc. The success of any enterprise depends upon the successful performance of staffing function.

Importance of Staffing:

1. Staffing helps in discovering and obtaining competent and personnel for various jobs.
2. It helps to improve the quantity and quality of the output by putting the right person on the right job.
3. It helps to improve job satisfaction of employees.
4. It facilitates higher productive performance by appointing right man for right job.
5. It reduces the cost of personnel by avoiding wastage of human resources.

6. It facilitates growth and diversification of business.
7. It provides continuous survival and growth of the business through development of employees.

Recruitment

Definition

Mc Fariand, "The term recruitment applies to the process of attracting potential employees of the company."

Flippo, "Recruitment is the process of searching prospective employees and stimulating them to apply for the jobs in the organization."

Thus recruitment may be considered as a positive action as it involves attracting the people towards organization.

Need of recruitment

The need of recruitment may arise due to following situations:

1. Vacancies due to transfer, promotion, retirement, permanent disability or death of worker.
2. Creation of vacancies due to expansion, diversification or growth.

Selection

Meaning

Selection is the process of choosing the most suitable person for the current position or for future position from within the organization or from outside the organization. The selection of managers is one of the most critical steps in the entire process of managing.

Process of Selection

1. Receiving and screening the application
2. Sending the Blank application form
3. Preliminary Interview
4. Administering Tests
5. Checking References on Investigation of Previous History
6. Interviewing
7. Final Selection

Motivation

Meaning

The success of any organization depends upon the behaviour and interest of the employees. Before guiding or directing the employees, the reasons for such behaviour should

be identified. The management can strategically motivate the employees based on such reasons.

Definition

Beach defines, “Motivation as a willingness to expend energy to achieve a goal or a reward.

Importance of Motivation

1. Cooperation and Goals
2. Productivity
3. High Efficiency
4. Job Satisfaction
5. Better Relations
6. Good Image

Maslow’s Need Hierarchy Theory

Abraham Harold Maslow, an eminent US psychologist, gave a general theory of motivation known as Need Hierarchy Theory in 1943. According to him, there seems to be a hierarchy into which human needs are arranged. The needs are as follows:

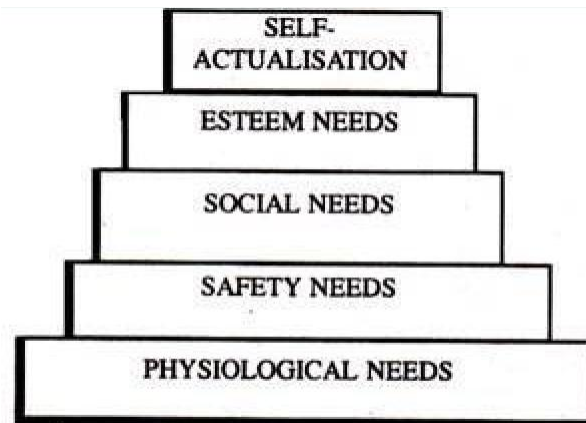


Fig. 17.2: Maslow's Need Hierarchy

1. Physiological Needs –

These needs are related to the survival and maintenance of life. These include hunger, thirst, shelter, sex and other bodily needs.

2. Safety or Security Needs –

These consist of physical safety against murder, fire accident, security against unemployment etc.

3. Social or Love Needs –

These needs are also called as affiliation needs. These consist of need for love, affection, belonging or association with family, friends and other social groups.

4. **Esteem or Ego Needs** –

The esteem needs are concerned with self respect, self confidence, feeling of personal worth, feeling of being unique and recognition. Satisfaction of these needs produces feeling of self confidence, prestige, power and control.

5. **Self Actualization or Self Fulfilment Needs** –

Self actualization is the need to maximize one's potential, whatever it may be. It is the need to fulfil what a person considers to be his real mission in life. It helps in individual to realize one's potentialities to the maximum.

CONTROLLING

Meaning of Controlling

Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. It's also ensures that activities in an organisation are performed as per the plans. Controlling also ensures that an organisation's resources are being used effectively and efficiently for the achievement of predetermined goals. Controlling is, thus, a goal-oriented function.

Controlling Process

Controlling is a systematic process involving the following steps.

1. Setting performance standards
2. Measurement of actual performance
3. Comparison of actual performance with standards
4. Analysing deviations

QUESTION BANK

1. The art of getting things done through the effort of others is called **management**.
2. Division of labour leads to **specialization**.
3. **Esprit de corps** principle denotes the well-known rule that 'Union is Strength'.
4. An employee should receive orders from only one superior is called **unity of command**.
5. The principle of **equity** ensures fairness, kindness and justice in the treatment of employees.
6. The Father of Scientific Management is **F.W.Taylor**.
7. The first and the foremost function of management is **planning**.

8. A sound **organization** helps to avoid duplication of work and overlapping of effort.
9. Luther Gulick has given a catch word for the functions of management as **POSDCORB**.
10. Henry Fayol divides the industrial /business activities into **six** groups.
11. If planning is looking ahead, controlling is **looking back**.
12. **Work study** refers to the systematic critical assessment of efficiency required to do the job.
13. **Organizing** refers to the systematic arrangement of different aspects of the business operations.
14. Deciding in advance what is to be done in an organization is called **Planning**.
15. The first person who supported mental revolution both on the part of the employer and employee was **F.W.Taylor**.
16. A study relating to the movement of a machine operator and the machine is known as **Motion study**.
17. Administration is a **Top** level function.
18. Recruitment, selection development and training are associated with **Staffing** function.
19. According to Hendry Fayol, the physical quality that a manager should have includes **Health and vigour**.
20. The right to give orders and the power to extract obedience is called **Authority**.
21. The expansion of MBO is **Management By Objectives**.
22. **Establishment of objectives** is the first step in planning process.
23. **Short range** plan is prepared for day –to-day operations.
24. **Procedure** indicates as to how a particular activity is to be performed.
25. **Forecasting** can be described as the projection of present trends into the future.
26. Planning function of management is done by **top level** management.
27. Plans made in the light of the plans of a competitor are called as **strategies**.
28. After evaluating the various alternatives the next step in planning is selecting the best **course of action**.
29. **Objectives** are the end points towards which all business activities are directed.
30. **Programme** is an example for single use plan.
31. **Tangible premises** are those assumptions which can be measured quantitatively.
32. **Strategic planning** is a long term planning.
33. **Tactical planning** is a short term planning.
34. MBO is a process in which superior and subordinates jointly identify the **common goals**.
35. MBO lay emphasize on short term goals and neglect the **long range goals**.
36. Planning is a **continuous** process.

37. **Schedule** is a process of establishing a time sequence for the work to be done.
38. **Master** plan covers the complete course of action along with consideration of time and strategy.
39. **Standard** is a norm against which performance is compared and evaluated.
40. Preparation of budget is the **final** step in the process of planning.
41. **Span of control** refers to the number of subordinates which can be effectively supervised by a superior.
42. In functional organization, the work is organized on the basis of **specialization**.
43. The word organization is derived from the word **organism**.
44. **Formal** organization refers to the hierarchical arrangement of various positions in an enterprise.
45. Line organization is also known as **Military** organization.
46. Functional type of organization was formulated by **F.W.Taylor**.
47. In **line and staff** organization, staff are responsible for planning of work.
48. Diagrammatic presentation of the organization structure is known as **organization chart**.
49. The organization that arises out of personal relationship is called **informal** organization.
50. **Functional** organization is suitable for large scale organization.
51. Accountability means **answerability**.
52. Line organization is also known as **Military** organization.
53. **Informal** Organisation arises due to social interaction of people.
54. **Line** organisation is the simple and oldest type of organisation.
55. Under **line** organisation efficient persons are essential to the top management.
56. Route clerk is a **technical** expert.
57. **Gang boss** is expected to see the various machines and materials kept ready for the workers to perform the work.
58. **Fact- Finding** committee is formed only for the purpose of collecting information on a particular subject.
59. A **project** organisation can also be the beginning of an organisation cycle.
60. Under **functional** organisation specialists are selected for various functions performed in an organisation.
61. **Delegation** is the process of entrusting the work by the superior to his subordinates.
62. **Responsibility** flows from lower level management to top level management. 3. **Centralization** refers to the concentration of authority in a few hands. 4. Dispersal of decision making authority is called **Decentralisation**.
63. Duty or obligation is the equivalent of **responsibility**.

64. Delegation leads to **decentralization**.
65. Decentralization means dispersal of authority whereas delegation refers to **transfer of authority**.
66. Delegation of authority contributes to the creation of an **Organisation**.
67. **Decision-making** is a pre-requisite of an authority.
68. **General delegation** means granting authority to the subordinate to perform various management functions.
69. In **accrued** delegation, a subordinate can delegate his authority to his immediate superiors.
70. The supervisor should have thorough knowledge of the abilities and inabilities of **subordinates**.
71. The supervisor should delegate only the **routine functions** to subordinates.
72. Responsibility is created by acceptance of **authority**.
73. Delegation of authority and responsibility is necessary for an effective functioning of an **organisation**.
74. **organisation**.
75. In **unwritten** delegation there is no evidence available for future reference.
76. Proper usage of words is essential to **written** delegation.
77. Responsibility without **authority** is an empty vessel.
78. Delegation helps the **superior** to get the benefit of specialized knowledge of various persons at lower level.
79. **Recruitment** is the process of finding suitable candidates for various posts in an organization.
80. In internal sources the selection of candidates for the jobs will be done from the **existing**
81. employees of the organization
82. **Selection** is the device used in the organization to select a suitable person who has required educational qualifications, skills, abilities and personality.
83. **Job analysis** is the process of analyzing the attributes and features of a job.
84. **Job description** is a detailed outline of a job.
85. **Motivation** means a process of stimulating people to action to accomplish the desired goals.
86. **Brain storming** is a problem solving technique which consists of evaluation of ideas of a group of people.
87. **Internal source of recruitment** includes personnel already on the pay roll of an organization.
88. **Intelligent test** is used to measure the mental ability or mental alertness of the applicant.
89. Face-to-face oral examination of a candidate is called **interview**.
90. Motivation is essentially a **psychological** concept.
91. Maslow classifies human needs into **five** categories.

92. Control is a **backward looking activity.**
93. Like planning, control is a **pervasive** function.
94. The basis / criteria against which the actual results can be measured is called **standard**
95. The first step in the process of control is to **establish standards** for every business operation.
96. Effective control ensures **efficiency and effectiveness** in an organization.
97. Standards may be both **tangible and intangible.**
98. A good control system provides **timely information** to the management which is very useful in taking corrective action.
99. **Feedback** is an important element of the control process