



---

**Government Arts and Science College (Women), Sathankulam – 628704, Thoothukudi District.**

**Department of Business Administration**

**II – BBA; III - Semester (2019 – 2022)**

**CORE 5 – Principles of Management – SMBA31**

**No. of Credits: 4;**

**No. of instructional hours: 7 Hours per week**

**Total Marks: 100 (Internal Marks + 25 External Marks 75)**

**Course Objectives:**

- The objective is to familiarize the students with concepts and principles of Management
- To develop an understanding of terms, facts, concepts pertaining to functions of management
- To acquaint the student with principles of business decisions in Managerial Decision- making
- To help them acquire the skills needed to become a successful manager
- To enable them to understand the various processes of the management.

**UNIT –I:** Definition – Nature, Principles, Functions and Levels – Features of Management – Administration Vs. Management – Management: A Science or An Art or A Profession - Pioneers of Modern Management - F.W.Taylor – Henry Fayol – Elton Mayo –M.P.Follet.

**UNIT – II:** Planning – Meaning- Characteristics – Planning Process – Types of Plans – Forecasting – Elements – Techniques – Decision Making- Definition – Nature - Type of Decisions – Process.

**UNIT – III:** Organising- Meaning –Principles of Organising – Forms of Organisational Structure- Departmentation - Factors Determining Departmentation – Methods –Span of Management.

**UNIT – IV:** Directing – Definition – Characteristics - Importance - Principles and Techniques - Communication - Types and Methods – Controlling – Steps in Controlling – Essentials – Techniques.

**UNIT –V:** Co-ordination – Need and Importance – Process – Authority and Responsibility - Concepts – Delegation of Authority – Centralisation vs. Decentralisation.

**Reference books:**

1. Principles of Management- T.Ramasamy.
2. Principles and Practices of Management- L.M. Prasad.
3. Essentials of Management – KOONTZ AND O'DONNELL
4. Principles of Management – SHERLEKAR S. A.
5. Business Management – DINKAR PAGARE
6. Principles of Management – TRIPATHI AND REDDY

*II – BBA – PoM – SMBA31 - Handled By Ms. K. Meena, MBA, M.Phil, PGDCA, (Ph.D), UGC – NET – MGT., Assistant Professor(Temporary), DoBA, GASC(W), Sathankulam - 628704*



---

## UNIT – I

*Management - Definition – Nature, Principles, Functions and Levels – Features of Management – Administration Vs. Management – Management: A Science or An Art or A Profession - Pioneers of Modern Management - F.W.Taylor – Henry Fayol – Elton Mayo –M.P.Follet.*



### **CONCEPT OF MANAGEMENT:**

Principles of Management are the broad and general guidelines for managerial decision making. They are different from principles of science as they deal with human behaviour. They are different from techniques of management as techniques are methods whereas principles are guidelines to action and decision making. Principles of management are different from values which are formed as generally accepted behaviour in society and are having moral coordination whereas principles are formed through research having technical nature. The management principles are derived from observation, analysis, experimental studies and personal experiences of the managers.

### **MEANING OF MANAGEMENT:**

Management is the art of inducing people to give their best contribution towards the most effective and efficient accomplishment of group goals by performing managerial functions of



---

planning, organising, staffing, directing and controlling with emphasis on co-ordination throughout the managerial process.

### **DEFINITIONS:**

“Management is what a manager does”. — Louis Allen

“To manage is to forecast and plans, to organise, to command, to coordinate and to control”. — Henry Fayol

“Management is the art of getting things done through and with people informally organized groups”. — Harold Koontz

“Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others”. — George Terry

“Management is the art of directing and inspiring people”. — J. D. Moony and A. C. Railey

“Management is the art of knowing what you want to do and to do it in the best and cheapest way”. — F. W. Taylor

“Management is the art and science of decision making and leadership”. — Donald J. Clough

### **NATURE OF MANAGEMENT:**

The nature of management can be described in the following points:

#### **(a) Universal applicability:**

They can be applied in all types of organizations, business as well as non-business, small as well as large enterprises.

#### **(b) General Guidelines:**



---

They are general guidelines to action and decision – making however they do not provide readymade solutions as the business environment is ever changing or dynamic.

**(c) Formed by practice and experimentation:**

They are developed after thorough research work on the basis of experiences of managers.

**(d) Flexible:**

Which can be adapted and modified by the practicing managers as per the demands of the situations as they are man-made principles.

**(e) Mainly Behavioural:**

Since the principles aim at influencing complex human behaviour they are behavioral in nature.

**(f) Cause and Effect relationship:**

They intend to establish relationship between cause and effect so that they can be used in similar situations.

**(g) Contingent:**

Their applicability depends upon the prevailing situation at a particular point of time.

**PRINCIPLES OF MANAGEMENT:**

The Principles of Management are the essential, underlying factors that form the foundations of successful management. According to Henri Fayol in his book *General and Industrial Management* (1916), there are fourteen 'Principles of Management'.

**Henry Fayol's** 14 principles of management are given below:

**1. Division of work:**



---

Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.

## **2. Authority and Responsibility:**

The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.

## **3. Discipline:**

The objectives, rules and regulations, the policies and procedures must be honored by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline preferably voluntary discipline.

## **4. Unity of Command:**

In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior (boss).

## **5. Unity of Direction:**

All members of an organization must work together to accomplish common objectives.

## **6. Emphasis on Subordination of Personal Interest to General or Common Interest:**

This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.



---

### **7. Remuneration:**

Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.

### **8. Centralization:**

There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.

### **9. Scalar Chain:**

The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.

### **10. Order:**

Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.

### **11. Equity:**

An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.

### **12. Stability of Tenure:**

A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.



---

### 13. Esprit of Co-operation:

Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.

### 14. Initiative:

Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

## FUNCTIONS OF MANAGEMENT:



### 1. Planning:

The planning function of management controls all the planning that allows the organization to run smoothly. Planning involves defining a goal and determining the most effective course of action needed to reach that goal. Typically, planning involves flexibility, as the planner must coordinate with all levels of management and leadership in the organization. Planning also involves knowledge of the company's resources and the future objectives of the business.

### 2. Organizing:



---

The organizing function of leadership controls the overall structure of the company. The organizational structure is the foundation of a company; without this structure, the day-to-day operation of the business becomes difficult and unsuccessful. Organizing involves designating tasks and responsibilities to employees with the specific skill sets needed to complete the tasks. Organizing also involves developing the organizational structure and chain of command within the company.

3. **Staffing:**

The staffing function of management controls all recruitment and personnel needs of the organization. The main purpose of staffing is to hire the right people for the right jobs to achieve the objectives of the organization. Staffing involves more than just recruitment; staffing also encompasses training and development, performance appraisals, promotions and transfers. Without the staffing function, the business would fail because the business would not be properly staffed to meet its goals.

4. **Directing:**

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication





- 
- **Supervision-** implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.
  - **Motivation-** means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.
  - **Leadership-** may be defined as a process by which manager guides and influences the work of subordinates in desired direction.
  - **Communications-** is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

#### 5. **Controlling:**

The controlling function of management is useful for ensuring all other functions of the organization are in place and are operating successfully. Controlling involves establishing performance standards and monitoring the output of employees to ensure each employee's performance meets those standards. The controlling process often leads to the identification of situations and problems that need to be addressed by creating new performance standards. The level of performance affects the success of all aspects of the organization.

### **LEVELS OF MANAGEMENT:**

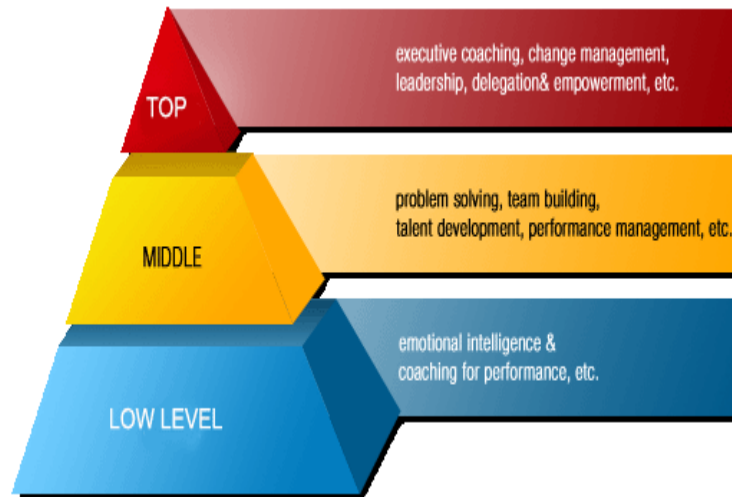
The term “**Levels of Management**” refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. **Top level / Administrative level**
2. **Middle level / Executory**



### 3. Low level / Supervisory / Operative / First-line managers

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:



**1. Top Level of Management:** It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows -

- Top management lays down the objectives and broad policies of the enterprise.
- It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- It prepares strategic plans & policies for the enterprise.
- It appoints the executive for middle level i.e. departmental managers.
- It controls & coordinates the activities of all the departments.
- It is also responsible for maintaining a contact with the outside world.



- 
- It provides guidance and direction.
  - The top management is also responsible towards the shareholders for the performance of the enterprise.

**2. Middle Level of Management:** The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as

- They execute the plans of the organization in accordance with the policies and directives of the top management.
- They make plans for the sub-units of the organization.
- They participate in employment & training of lower level management.
- They interpret and explain policies from top level management to lower level.
- They are responsible for coordinating the activities within the division or department.
- It also sends important reports and other important data to top level management.
- They evaluate performance of junior managers.
- They are also responsible for inspiring lower level managers towards better performance.

**3. Lower Level of Management:** Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to R.C. Davis, “Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management. Their activities include -

- Assigning of jobs and tasks to various workers.



- 
- They guide and instruct workers for day to day activities.
  - They are responsible for the quality as well as quantity of production.
  - They are also entrusted with the responsibility of maintaining good relation in the organization.
  - They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
  - They help to solve the grievances of the workers.
  - They supervise & guide the sub-ordinates.
  - They are responsible for providing training to the workers.
  - They arrange necessary materials, machines, tools etc for getting the things done.
  - They prepare periodical reports about the performance of the workers.
  - They ensure discipline in the enterprise.
  - They motivate workers.
  - They are the image builders of the enterprise because they are in direct contact with the workers.

## **FEATURES OF MANAGEMENT:**

Management is an activity concerned with guiding human and physical resources such that organizational goals can be achieved. Nature of management can be highlighted as: -

### **1. Management is Goal-Oriented:**

The success of any management activity is assessed by its achievement of the predetermined goals or objective. Management is a purposeful activity. It is a tool which helps use of human & physical resources to fulfill the pre-determined goals. For example, the goal of an enterprise is maximum consumer satisfaction by producing quality goods and at reasonable prices. This can be achieved by employing efficient persons and making better use of scarce resources.



---

## 2. **Management integrates Human, Physical and Financial Resources:**

In an organization, human beings work with non-human resources like machines. Materials, financial assets, buildings etc. Management integrates human efforts to those resources. It brings harmony among the human, physical and financial resources.

## 3. **Management is Continuous:**

Management is an ongoing process. It involves continuous handling of problems and issues. It is concerned with identifying the problem and taking appropriate steps to solve it. E.g. the target of a company is maximum production. For achieving this target various policies have to be framed but this is not the end. Marketing and Advertising is also to be done. For this policies have to be again framed. Hence this is an ongoing process.

## 4. **Management is all Pervasive:**

Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various efforts towards a definite purpose. Thus clubs, hospitals, political parties, colleges, hospitals, business firms all require management. Whenever more than one person is engaged in working for a common goal, management is necessary. Whether it is a small business firm which may be engaged in trading or a large firm like Tata Iron & Steel, management is required everywhere irrespective of size or type of activity.

## 5. **Management is a Group Activity:**

Management is very much less concerned with individual's efforts. It is more concerned with groups. It involves the use of group effort to achieve predetermined goal of management of ABC & Co. is good refers to a group of persons managing the enterprise.

## **ADMINISTRATION VS MANAGEMENT:**

*II – BBA – PoM – SMBA31 - Handled By Ms. K. Meena, MBA, M.Phil, PGDCA, (Ph.D), UGC – NET – MGT.,  
Assistant Professor(Temporary), DoBA, GASC(W), Sathankulam - 628704*



---

There are mentioned some points about the difference between management and administration such as:

1. **Meaning:**

Although administration and management are both processes, they are different in a sense. Administration deal with a group of people. On the other hand, Management dealt with mere people. This way, we can differ from each other.

2. **Authority:**

If you discuss with “management vs administration,” you have to understand the hierarchy. Hierarch is a crucial concept in the studies of both. Wherein administration belongs to a higher level, as well as management belongs to low and middle levels.

3. **Attention:**

After formulating a suitable policy that has to implement. These important works lead by respectively administration and management.

4. **Operation:**

If we want to differ both from the operational perspective, we can say with controlling. All works of administration are controlled. Additionally, management does it under the administration.

5. **Personality:**

The administrator plays a vital role in administering. On the other hand, the manager does the same thing to accelerate management. This is the key personal difference between administration and management.

6. **Application:**

Administration is a service-oriented initiative. At the same time, management is a profit-oriented operation.

7. **Enactment:**

In administration, the owner tries to increase investment. On the other hand, payment is the only target for employees in management.



---

#### 8. **Consistency:**

Plans and actions include in management, whereby Policies and objectives include in administration.

#### 9. **Managing Thought:**

Administration always tries to use the maximum utilization of resources. Whereas management engages with only people and their own work.

#### 10. **Style:**

The management style can change when a leader or manager is removed or installed from an organization. If so many management policies or procedures generate, the style of administration may be changed.

### **MANAGEMENT AS A SCIENCE, ARTS AND PROFESSION!**

Some authors regard management as science because there are well tested and experimented principles of management, some authors describe management as an art because more practice is required in management and some authors consider that management is going towards the paths of profession. To conclude whether management is science, art or profession, we must understand the features and meanings of science, art and profession and compare them with management meaning and features.

#### **Management as a Science:**

Science can be defined as a systematic and organised body of knowledge based on logically observed findings, facts and events. Science comprises of exact principles which can be verified and it can establish cause and effect relations.

#### **Main characteristics/features of science are:**

##### **1. Systematic body of knowledge:**

In science organized and systematic study material is available which is used to acquire the knowledge of science. Like science in management also there is availability of systematic and organised study material. So first feature of science is present in management.



---

## **2. Scientific principles are derived on the basis of logical and scientific observations:**

The scientists perform logical observation before deriving any principle or theory. They are very objective while doing the observations. But when managers are observing they have to observe human beings and observation of human being cannot be purely logical and objective. Some kind of subjectivity enters in the observations so this feature of science is not present in management. All the scientific principles have same effect, wherever we try them whereas effect of management principles varies from one situation to other.

## **3. Principles are based on repeated experiments:**

Before developing scientific principles scientists test these principles under different conditions and places. Similarly, managers also test and experiment managerial principles under different conditions in different organisations. So this feature of science is present in management.

## **4. Universal Validity:**

Scientific principles have universal application and validity. Management principles are not exact like scientific principles so their application and use is not universal. They have to be modified according to the given situation. So this feature of science is not present in management.

## **5. Replication is possible:**

In science replication is possible as when two scientists are undertaking the same investigation working independently and treating the same data under the same conditions may desire or obtain the identical or exactly same result. But in management managers have to conduct research or experiments on human beings. So if two managers are investigating same data, on different sets of human beings they will not get identical or same result because human beings never respond in exactly identical manner. So this feature of science is also not present in management.

## **Management as an Art:**

Art can be defined as systematic body of knowledge which requires skill, creativity and practice to get perfection.

### **The main features of art are:**

#### **1. Systematic body of knowledge/Existence of theoretical knowledge:**





---

In every art there is systematic and organized study material available to acquire theoretical knowledge of the art. For example, various books on different ragas are available in music. In management also there is systematic and organised body of knowledge available which can help in acquiring managerial studies. So this feature of art is present in management also.

## **2. Personalized application:**

In the field of art only theoretical knowledge is not enough. Every artist must have personal skill and creativity to apply that knowledge. For example, all musicians learn same ragas but they apply these ragas according to their personal skill and creativity which makes them different. In management also all managers learn same management theories and principles. But their efficiency depends on how well they use these principles under different situations by applying personal skills and creativity so this feature of art is also present in management.

## **3. Based on Practice and creativity:**

The artist requires regular practice of art to become more fine and perfect. Without practice artists lose their perfection. Art requires creative practice, i.e., artist must add his creativity to the theoretical knowledge he has learned. Same way with experience managers also improves their managerial skills and efficiency. So this feature of art is also present in management.

## **Management: Both Science and Art:**

Management is both science as well as art. Like science it has systematic and well-organised body of knowledge and like art it requires personal skill, creativity and practice to apply such knowledge in the best possible way. Science and art are not in contrast to each other; both exist together in every function of management.

## **Management as a Profession:**

Profession can be defined as an occupation backed by specialized knowledge and training, in which entry is restricted.

## **The main features of profession are:**

### **1. Well defined Body of knowledge:**

In every profession there is practice of systematic body of knowledge which helps the professionals to gain specialised knowledge of that profession. In case of management also there



---

is availability of systematic body of knowledge. There are large numbers of books available on management studies. Scholars are studying various business situations and are trying to develop new principles to tackle these situations. So presently this feature of profession is present in management also.

## **2. Restricted Entry:**

The entry to a profession is restricted through an examination or degree. For example a person can practice as Doctor only when he is having MBBS degree. Whereas there is no legal restriction on appointment of a manager, anyone can become a manager irrespective of the educational qualification. But now many companies prefer to appoint managers only with MBA degree. So presently this feature of profession is not present in management but very soon it will be included with statutory backing.

## **3. Presence of professional associations:**

For all the professions, special associations are established and every professional has to get himself registered with his association before practising that profession. For example, doctors have to get themselves registered with Medical Council of India, lawyers with Bar Council of India etc. In case of management various management associations are set up at national and international levels which have some membership rules and set of ethical codes, for example, AIMA in New Delhi, National Institute of Personal Management at Calcutta etc., but legally it is not compulsory for managers to become a part of these organisations by registration. So presently this feature of profession is not present in management but very soon it will be included and get statutory backing also.

## **4. Existence of ethical codes:**

For every profession there are set of ethical codes fixed by professional organisations and are binding on all the professionals of that profession. In case of management there is growing emphasis on ethical behaviour of managers. All India Management Association (AIMA) has devised a code of conduct for Indian managers. But legally it is not compulsory for all the managers to get registered with AIMA and abide by the ethical codes. So presently this feature of profession is not present in management but very soon it will be included with statutory backing.



---

## 5. Service Motive:

The basic motive of every profession is to serve the clients with dedication. Whereas basic purpose of management is achievement of management goal, for example for a business organisation the goal can be profit maximization. But nowadays only profit maximisation cannot be the sole goal of an enterprise. To survive in market for a long period of time, a businessman must give due importance to social objectives along with economic objectives. So presently this feature of profession is not present but very soon it will be included.

## PIONEERS OF MODERN MANAGEMENT

### 1. FREDERICK WINSLOW TAYLOR (MARCH 20, 1856 – MARCH 21, 1915)

He was an American mechanical engineer who sought to improve industrial efficiency. He was one of the first management consultants. Taylor was one of the intellectual leaders of the Efficiency Movement and his ideas, broadly conceived, were highly influential in the Progressive Era (1890s-1920s). Taylor summed up his efficiency techniques in his 1911 book *The Principles of Scientific Management*, which in 2001 *Fellows of the Academy of Management* voted the most influential management book of the twentieth century. His pioneering work in applying engineering principles to the work done on the factory floor was instrumental in the creation and development of the branch of engineering that is now known as industrial engineering. Taylor made his name in, and was most proud of his work in, scientific management; however, he made his fortune patenting steel-process improvements. Taylor was also an athlete who competed nationally in tennis and golf.

Taylor was born in 1856 to a Quaker family in Germantown, Philadelphia, Pennsylvania. Taylor's father, Franklin Taylor, a Princeton-educated lawyer, built his wealth on mortgages. Taylor's mother, Emily Annette Taylor, was an ardent abolitionist and a coworker with Lucretia Mott. Educated early by his mother, Taylor studied for two years in France and Germany and traveled Europe for 18 months. In 1872, he entered Phillips Exeter Academy in Exeter, New Hampshire, with the plan of eventually going to Yale and becoming a



---

lawyer like his father. In 1874, Taylor passed the Yale entrance examinations with honors. However, due allegedly to rapidly deteriorating eyesight, Taylor chose quite a different path. Instead of attending Yale University, Taylor became an apprentice patternmaker and machinist, gaining shop-floor experience at Enterprise Hydraulic Works in Philadelphia (a pump-manufacturing company whose proprietors were friends of the Taylor family). He left his apprenticeship for six months and represented a group of New England machine-tool manufacturers at Philadelphia's centennial exposition. Taylor finished his four-year apprenticeship and in 1878 became a machine-shop laborer at Midvale Steel Works. At Midvale, he was quickly promoted to time clerk, journeyman machinist, gang boss over the lathe hands, machine shop foreman, research director, and finally chief engineer of the works (while maintaining his position as machine shop foreman). Taylor's fast promotions reflected both his talent and his family's relationship with Edward Clark, part owner of Midvale Steel. (Edward Clark's son Clarence Clark, who was also a manager at Midvale Steel, married Taylor's sister.)

Early on at Midvale, working as a laborer and machinist, Taylor recognized that workmen were not working their machines, or themselves, nearly as hard as they could (which at the time was called "soldiering") and that this resulted in high labor costs for the company. When he became a foreman he expected more output from the workmen. In order to determine how much work should properly be expected, he began to study and analyze the productivity of both the men and the machines (although the word "productivity" was not used at the time and the applied science of productivity had not yet been developed). His focus on the human component of production Taylor labeled scientific management.

While Taylor worked at Midvale, he and Clarence Clark won the first tennis doubles tournament in the 1881 US National Championships, the precursor of the US Open. Taylor became a student of Stevens Institute of Technology, studying via correspondence and obtaining a degree in mechanical engineering in 1883. On May 3, 1884, he married Louise M. Spooner of Philadelphia.



---

From 1890 until 1893 Taylor worked as a general manager and a consulting engineer to management for the Manufacturing Investment Company of Philadelphia, a company that operated large paper mills in Maine and Wisconsin. He was a plant manager in Maine. In 1893, Taylor opened an independent consulting practice in Philadelphia. His business card read "Consulting Engineer - Systematizing Shop Management and Manufacturing Costs a Specialty". Through these consulting experiences, Taylor perfected his management system. His first paper, A Piece Rate System, was presented to the American Society of Mechanical Engineers (ASME) in June 1895.

In 1898 he joined Bethlehem Steel to solve an expensive machine-shop capacity problem. Mr. Taylor had around one hundred patents. His best known and profitable invention was the discovery between 1898 and 1900, jointly with Maunsel White, of a process for treating tungsten steel. The inventors received \$100,000 (equivalent to \$2.5 million today) for the English patents alone. Taylor-White high speed steel paved the way for greatly increased mass production. However, Taylor was forced to leave Bethlehem Steel in 1901 after discord with other managers.

After leaving Bethlehem Steel, Taylor focused the remainder of his career promoting his management and machining methods through lecturing, writing, and consulting. In 1910, owing to the Eastern Rate Case, Frederick Winslow Taylor and his Scientific Management methodologies become famous worldwide. In 1911, Taylor introduced his The Principles of Scientific Management paper to the ASME, eight years after his Shop Management paper.

On October 19, 1906, Taylor was awarded an honorary degree of Doctor of Science by the University of Pennsylvania. Taylor eventually became a professor at the Tuck School of Business at Dartmouth College. In early spring of 1915 Taylor caught pneumonia and died, one day after his fifty-ninth birthday, on March 21, 1915. He was buried in West Laurel Hill Cemetery, in Bala Cynwyd, Pennsylvania.

Taylor was a mechanical engineer who sought to improve industrial efficiency. Taylor is regarded as the **father of scientific management**, and was one of the first management consultants and director of a famous firm.



---

Frederick W. Taylor was the first man in recorded history that deemed work deserving of systematic observation and study. On Taylor's 'scientific management' rests, above all, the tremendous surge of affluence in the last seventy-five years which has lifted the working masses in the developed countries well above any level recorded before, even for the well-to-do. Taylor, though the Isaac Newton (or perhaps the Archimedes) of the science of work, laid only first foundations, however. Not much has been added to them since – even though he has been dead all of sixty years.

**Taylor's scientific management consisted of four principles:**

1. Replace rule-of-thumb work methods with methods based on a scientific study of the tasks.
2. Scientifically select, train, and develop each employee rather than passively leaving them to train themselves.
3. Provide "Detailed instruction and supervision of each worker in the performance of that worker's discrete task".
4. Divide work nearly equally between managers and workers, so that the managers apply scientific management principles to planning the work and the workers actually perform the tasks.

**Elements of Scientific Management:** The techniques which Taylor regarded as its essential elements or features may be classified as under:

- i. Scientific Task and Rate-setting, work improvement, etc.
- ii. Planning the Task.
- iii. Vocational Selection and Training
- iv. Standardization (of working conditions, material equipment etc.)
- v. Specialization
- vi. Mental Revolution.



---

i. **Scientific Task and Rate-Setting (work study):** Work study may be defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement. It includes,

(a) **Methods Study:** The management should try to ensure that the plant is laid out in the best manner and is equipped with the best tools and machinery. The possibilities of eliminating or combining certain operations may be studied.

(b) **Motion Study:** It is a study of the movement, of an operator (or even of a machine) in performing an operation with the purpose of eliminating useless motions.

(c) **Time Study (work measurement):** The basic purpose of time study is to determine the proper time for performing the operation. Such study may be conducted after the motion study. Both time study and motion study help in determining the best method of doing a job and the standard time allowed for it.

(d) **Fatigue Study:** If, a standard task is set without providing for measures to eliminate fatigue, it may either be beyond the workers or the workers may over strain themselves to attain it. It is necessary, therefore, to regulate the working hours and provide for rest pauses at scientifically determined intervals.

(e) **Rate-setting:** Taylor recommended the differential piece wage system, under which workers performing the standard task within prescribed time are paid a much higher rate per unit than inefficient workers who are not able to come up to the standard set.

ii. **Planning the Task:** Having set the task which an average worker must strive to perform to get wages at the higher piece-rate, necessary steps have to be taken to plan the production thoroughly so that there is no bottleneck and the work goes on systematically.



---

iii. **Selection and Training:** Scientific Management requires a radical change in the methods and procedures of selecting workers. It is therefore necessary to entrust the task of selection to a central personnel department. The procedure of selection will also have to be systematized. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

iv. **Standardization:** Standardization may be introduced in respect of the following.

(a) **Tools and equipment:** By standardization is meant the process of bringing about uniformity. The management must select and store standard tools and implements which will be nearly the best or the best of their kind.

(b) **Speed:** There is usually an optimum speed for every machine. If it is exceeded, it is likely to result in damage to machinery.

(c) **Conditions of Work:** To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is very essential.

(d) **Materials:** The efficiency of a worker depends on the quality of materials and the method of handling materials.

v. **Specialization:** Scientific management will not be complete without the introduction of specialization. Under this plan, the two functions of 'planning' and 'doing' are separated in the organization of the plant.

The 'functional foremen' are specialists who join their heads to give thought to the planning of the performance of operations in the workshop. Taylor suggested eight functional foremen under his scheme of functional foremanship.

(a) **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.





---

(b) **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.

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

(d) **The Shop Disciplinarian:** To deal with cases of breach of discipline and absenteeism.

(e) **The 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.

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

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

(h) **The Inspector:** To show to the worker how to do the work.

vi. **Mental Revolution:** At present, industry is divided into two groups – management and labour. The major problem between these two groups is the division of surplus. The management wants the maximum possible share of the surplus as profit; the workers want, as large share in the form of wages. Taylor has in mind the enormous gain that arises from higher productivity. Such gains can be shared both by the management and workers in the form of increased profits and increased wages.

Taylor used Brandeis's term in the title of his monograph *The Principles of Scientific Management*, published in 1911. The Eastern Rate Case propelled Taylor's ideas to the forefront of the management agenda. Taylor wrote to Brandeis "I have rarely seen a new movement started with such great momentum as you have given this one." Taylor's approach is also often referred to as Taylor's Principles, or, frequently disparagingly, as Taylorism.



---

## Managers and workers:

- **Taylor had very precise ideas about how to introduce his system:** It is only through enforced standardization of methods, enforced adoption of the best implements and working conditions, and enforced cooperation that this faster work can be assured. And the duty of enforcing the adoption of standards and enforcing this cooperation rests with management alone.
- **Workers were to be selected appropriately for each task:** One of the very first requirements for a man who is fit to handle pig iron as a regular occupation is that he shall be so stupid and so phlegmatic that he more nearly resembles in his mental make-up the ox than any other type. The man who is mentally alert and intelligent is for this very reason entirely unsuited to what would, for him, be the grinding monotony of work of this character.

Taylor believed in transferring control from workers to management. He set out to increase the distinction between mental (planning work) and manual labor (executing work). Detailed plans, specifying the job and how it was to be done, were to be formulated by management and communicated to the workers.

The introduction of his system was often resented by workers and provoked numerous strikes. The strike at Watertown Arsenal led to the congressional investigation in 1912. Taylor believed the laborer was worthy of his hire, and pay was linked to productivity. His workers were able to earn substantially more than those under conventional management, and this earned him enemies among the owners of factories where scientific management was not in use.

With the triumph of scientific management, unions would have nothing left to do, and they would have been cleansed of their most evil feature: the restriction of output. To underscore this idea, Taylor fashioned the myth that 'there has never been a strike of men working under scientific management', trying to give it credibility by constant repetition. In similar fashion he incessantly linked his proposals to shorter hours of work, without bothering to produce evidence of "Taylorized" firms that reduced working hours, and he revised his famous tale of Schmidt carrying



---

pig iron at Bethlehem Steel at least three times, obscuring some aspects of his study and stressing others, so that each successive version made Schmidt's exertions more impressive, more voluntary and more rewarding to him than the last. Unlike [Harrington] Emerson, Taylor was not a charlatan, but his ideological message required the suppression of all evidence of worker's dissent, of coercion, or of any human motives or aspirations other than those his vision of progress could encompass.

Debate about Taylor's Bethlehem study of workers, particularly the stereotypical laborer named "Schmidt" continues to this day. One 2009 study contributes evidence of the truth of the assertions Taylor made regarding the quite substantial increase in productivity, for even the most basic task of picking up, carrying and dropping pigs of iron.

Taylor thought that by analyzing work, the "one best way" to do it would be found. He is most remembered for developing the stopwatch time study, which combined with Frank Gilbreth's motion study methods, later became the field of time and motion study. He broke a job into its component parts and measured each to the hundredth of a minute. One of his most famous studies involved shovels. He noticed that workers used the same shovel for all materials. He determined that the most effective load was 21½ lb, and found or designed shovels that for each material would scoop up that amount. He was generally unsuccessful in getting his concepts applied, and was dismissed from Bethlehem Iron Company/Bethlehem Steel Company. Nevertheless, Taylor was able to convince workers who used shovels and whose compensation was tied to how much they produced to adopt his advice about the optimum way to shovel by breaking the movements down into their component elements and recommending better ways to perform these movements. It was largely through the efforts of his disciples (most notably H.L. Gantt) that industry came to implement his ideas. Moreover, the book he wrote after parting company with the Bethlehem Company, *Shop Management*, sold well.

Taylor's own written works were designed for presentation to the American Society of Mechanical Engineers (ASME). These include *Notes on Belting* (1894), *A Piece-Rate System*



---

(1895), Shop Management (1903), Art of Cutting Metals (1906), and The Principles of Scientific Management (1911).

Taylor was president of the ASME from 1906 to 1907. While president, he tried to implement his system into the management of the ASME but was met with much resistance. He was only able to reorganize the publications department and then only partially. He also forced out the ASME's long-time secretary, Morris L. Cooke, and replaced him with Calvin W. Rice. His tenure as president was trouble-ridden and marked the beginning of a period of internal dissension within the ASME during the Progressive Age.

In 1911, Taylor collected a number of his articles into a book-length manuscript, which he submitted to the ASME for publication. The ASME formed an ad hoc committee to review the text. The committee included Taylor allies such as James Mapes Dodge and Henry R. Towne. The committee delegated the report to the editor of the American Machinist, Leon P. Alford. Alford was a critic of the Taylor system and his report was negative. The committee modified the report slightly, but accepted Alford's recommendation not to publish Taylor's book. Taylor angrily withdrew the book and published Principles without ASME approval. Taylor published the trade book himself in 1912.

Taylor published several articles and books: Shop management, The Principles of Scientific Management, A treatise on concrete, plain and reinforced: materials, construction, and design of concrete and reinforced concrete, Concrete costs, "Notes on Belting," Transactions of the American Society of Mechanical Engineers, "A Piece-rate System" in: The adjustment of wages to efficiency; "Shop management," Transactions of the American Society of Mechanical Engineers 24, "On the Art of Cutting Metals," Transactions of the American Society of Mechanical Engineers.

## **2. HENRI FAYOL**

Henri Fayol (Istanbul, 29 July 1841 – Paris, 19 November 1925) was a French mining engineer, mining executive, author and director of mines who developed general theory of business



---

administration that is often called Fayolism. He and his colleagues developed this theory independently of scientific management but roughly contemporaneously. Like his contemporary, Frederick Winslow Taylor, he is widely acknowledged as a founder of modern management methods.

Fayol was born in 1841 in a suburb of Istanbul. His father (an engineer) was in the military at the time and was appointed superintendent of works to build Galata Bridge, which bridged the Golden Horn. The family returned to France in 1847, where Fayol graduated from the mining academy "École Nationale Supérieure des Mines" in Saint-Étienne in 1860.

In 1860 at the age of nineteen Fayol started working at the mining company named "Compagnie de Commentry-Fourchambault-Decazeville" in Commentry as the mining engineer. During his time at the mine, he studied the causes of underground fires, how to prevent them, how to fight them, how to reclaim mining areas that had been burned, and developed a knowledge of the structure of the basin. In 1888 he was promoted to managing director. During his time as director, he made changes to improve the working situations in the mines, such as allowing employees to work in teams, and changing the division of labor. Later, more mines were added to his duties.

Eventually, the board decided to abandon its iron and steel business and the coal mines. They chose Henri Fayol to oversee this as the new managing director. Upon receiving the position, Fayol presented the board with a plan to restore the firm. The board accepted the proposal. When he retired in 1918, the company was financially strong and one of the largest industrial combines in Europe

Based largely on his own management experience, he developed his concept of administration. In 1916 he published these experience in the book "Administration Industrielle et Générale", at about the same time as Frederick Winslow Taylor published his Principles of Scientific Management.



---

Fayol's work became more generally known with the 1949 publication of *General and industrial administration*, the English translation of the 1916 article "Administration industrielle et générale". In this work Fayol presented his theory of management, known as Fayolism. Before that Fayol had written several articles on mining engineering, starting in the 1870s, and some preliminary papers on administration.

**Mining Engineering:** Starting in the 1870s, Fayol wrote a series of articles on mining subjects, such as on the spontaneous heating of coal (1879), the formation of coal beds (1887), the sedimentation of the Commentary, and on plant fossils (1890). His first articles were published in the French *Bulletin de la Société de l'Industrie minérale*, and beginning in the early 1880s in the *Comptes rendus de l'Académie des sciences*, the proceedings of the French Academy of Sciences.

**Fayolism:** Fayol's work was one of the first comprehensive statements of a general theory of management. He proposed that there were five primary functions of management and fourteen principles of management.

**Publications:** *Industrial and General Administration*, *General and Industrial Management*, and "Modern Management".

### 3. ELTON MAYO

George Elton Mayo (26 December 1880 – 7 September 1949) was an Australian born psychologist, industrial researcher, and organizational theorist. Mayo was formally trained at the University of Adelaide, acquiring a Bachelor of Arts Degree graduating with First Class Honours, majoring in philosophy and psychology, and was later awarded an honorary Master of Arts Degree from the University of Queensland (UQ). While in Queensland, Mayo served on the University's war committee and pioneered research into the psychoanalytic treatment of shell-shock. As a psychologist Mayo often helped soldiers returning from World War I recover from the stresses of war and with a Brisbane physician, pioneered



---

the psychoanalytic treatment of shell-shock and conducted psycho-pathological tests. He was a lecturer in psychology and mental philosophy at the UQ between 1911 and 1922, when he sailed to the United States. In 1926 he was appointed to the Harvard Business School (HBS) as a professor of industrial research.

In Philadelphia he conducted research at a textile plant in order to develop a method to reduce the very high rate of turnover in the plant. Mayo's association with the Hawthorne studies as well as his research and work in Australia led to his enjoying a public acclaim granted too few social scientists of his day.

Mayo has been credited with making significant contributions to a number of disciplines, including business management, industrial sociology, philosophy, and social psychology. His field research in industry had a significant impact on industrial and organizational psychology.<sup>[8]</sup> According to Trahair, Mayo "is known for having established the scientific study of what today is called organizational behavior when he gave close attention to the human, social, and political problems of industrial civilization."

Mayo's work helped to lay the foundation for the human relations movement. He emphasized that alongside the formal organization of an industrial workplace there exists an informal organizational structure as well. Mayo recognized the "inadequacies of existing scientific management approaches" to industrial organizations, and underlined the importance of relationships among people who work for such organizations. His ideas on group relations were advanced in his 1933 book *The Human Problems of an Industrialized Civilization*, which was based partly on his Hawthorne research.

Mayo was the eldest son of George Gibbes Mayo, a draftsman and later a civil engineer, and his wife Henrietta Mary, née Donaldson. His grandfather George Mayo (1807–1894) was a well-known South Australian medical practitioner. Elton attended several schools in Australia (Queen's School, St Peter's College, Adelaide, and University of Adelaide) and after 1901 attended medical school in Edinburgh and London, neither of which he completed. In 1903 he went to West



---

Africa, and upon returning to London, began writing articles for magazines and teaching English at the Working Men's College. He returned to Adelaide in 1905 to a partnership in the printing firm of J. H. Sherring & Co., but in 1907 he went back to the university to study philosophy and psychology under Sir William Mitchell. He won the Roby Fletcher prize in psychology and graduated with honours (B.A., 1910; M.A., 1926) and was named the David Murray research scholar in scientific studies. In 1911 he became foundation lecturer in mental and moral philosophy at the new University of Queensland and in 1919–23 held the first chair of philosophy there. He moved on to the University of Pennsylvania, but spent the second half of his career at Harvard Business School (1926–1947), where he was professor of industrial research.

Two influences on his career from his time at the University of Queensland were Mayo's friendship with the social anthropologist Bronislaw Malinowski and his work with shell-shock cases returning from the First World War. Malinowski first met Mayo on his way to and from the Trobriand Islands; they became close friends and were regularly in touch until Malinowski's death in 1942. The work with shell-shock soldiers provided a focus for Mayo's interests in clinical psychology and developed his skills in psychotherapy. In this he was strongly influenced by the work on hysteria and obsession of the French psychiatrist, Pierre Janet, who became a critic of Sigmund Freud. For the rest of his working life, Mayo was an active psychotherapist and this practical experience was an important influence on his theoretical and methodological work in America

One of Mayo's (1924) earliest research efforts involved workers at a Philadelphia textile mill. The mill had been experiencing a high rate of turnover. Mayo believed that the repetitive work in the spinning department gave rise to mental abnormalities in the workers. He found that the introduction of rest periods helped reduce turnover. The research helped make Mayo more widely known in the U.S.

Mayo helped to lay the foundation for the human relations movement, and was known for his industrial research including the Hawthorne Studies and his book *The Human Problems of an Industrialized Civilization* (1933). The research he conducted under the rubric of the Hawthorne





---

Studies in the late 1920s and early 1930s, underlining the importance of groups in affecting the behaviour of individuals at work.

Elton Mayo laid the ground rules for interviewing, the principles of which have been subsequently repeated in numerous 'how to' books on leadership, coaching and mentoring over the last half century.

### **Hawthorne studies**

Fritz J. Roethlisberger, Mayo's graduate assistant, and William J. Dickson, head of the Department of Employee Relations at Western Electric, conducted the bulk of the practical research, with Mayo rarely visiting the Hawthorne plant in Cicero, Illinois. Mayo's team carried out a number of "experiments" to look at ways of improving productivity. The research involved manipulating length of rest and lunch periods and piecework payment plans.<sup>[14]</sup> Mayo concluded that productivity partly depended on the informal social patterns of interaction in the work group.

Mayo, in communicating to business leaders, advanced the idea that managers who understand the nature of informal ties among workers can make decisions for management's benefit. Mayo concluded that people's work performance is dependent on both social relationships and job content. He suggested a tension between workers' "logic of sentiment" and managers' "logic of cost and efficiency" which could lead to conflict within organizations.

Parsons, however, showed that the Hawthorne studies, which were not really experiments, were too confounded to enable researchers to draw firm conclusions.<sup>[14]</sup> The qualitative aspects of the research suggested that norms of co-operation among workers were related to productivity.

### **The Human Problems of an Industrialized Civilization**

The books begin with an account of the research on human fatigue and efficiency conducted in the early 20th century.

**Mayo's Credentials:** Although biographers agree about Mayo's contributions, there is no consensus about his credentials. The Encyclopædia Britannica, biographical dictionaries, and some published texts indicate that Mayo was a psychologist. Some authors and critics have



---

discussed Mayo's credentials and his various other job titles during his career in the United States. Cullen does not mention that Mayo was a psychologist although Cullen noted that Mayo let interlocutors call him "Dr. Mayo," letting him be cast as a Ph.D. in one of the social sciences, without correcting the mistake. Mayo's biographer Trahair wrote, "Mayo was not a psychologist, sociologist, or anthropologist, although sometimes he was cast as such". Trahair also wrote that "after the great war Mayo's reputation grew as a successful academic, clinical psychologist and public speaker". Of course having a reputation as a clinical psychologist does not necessarily make one a clinical psychologist (the public often thinks of psychotherapists, regardless of training, as clinical psychologists or even psychiatrists).

Cullen indicated that Mayo was not a medical doctor, writing that in April 1903, Mayo "enrolled at a small medical school at Saint George's Hospital at London....At this point, Mayo's interest in medicine was all but non-existent". Having dropped out by December 1903, Mayo "wrote home and finally revealed to his family the truth; he did not and could not become a doctor". Miner wrote: "An effective speaker and proficient in cultivating influential friends and mentors, he nevertheless had little by way of academic credentials and practically no training in the conduct of scientific research".

**Publications:** Psychology of Pierre Janet, London, The Human Problems of an Industrial Civilization, Critical Evaluations in Business and Management, and The Social Problems of an Industrial Civilization.

#### 4. MARY PARKER FOLLETT

Mary Parker Follett (September 3, 1868 – December 18, 1933) was an American social worker, management consultant, philosopher, and pioneer in the fields of organizational theory and organizational behavior. Along with Lillian Gilbreth, Mary Parker Follett was one of two great women management gurus in the early days of classical management theory. Follett is known to be "Mother of Modern Management".



---

Follett was born in 1868 in Quincy, Massachusetts to a wealthy Quaker family. Her family was composed of Charles Allen Follett, a machinist in a local shoe factory, and Elizabeth Curtis (née Baxter) Follett, respectively of English-Scottish and Welsh descent, and a younger brother. Follett attended Thayer Academy, a collegiate preparatory day school in Braintree, while spending much of her free time caring for her disabled mother. In September 1885 she enrolled in Anna Ticknor's Society to Encourage Studies at Home.

From 1890-91, she studied at the University of Cambridge and then moved to study at Society for the Collegiate Instruction of Women in Cambridge (later known as Radcliffe College). For the next 6 years Follett attended the university on an irregular basis eventually graduating summa cum laude in 1898. Her Radcliffe thesis, *The Speaker of the House of Representatives*, was published in 1896. She would go on to apply to Harvard but would be denied entrance to the university on the basis that she was a woman.

Over the next three decades, she published many works. She was one of the first women ever invited to address the London School of Economics, where she spoke on cutting-edge management issues. She also distinguished herself in the field of management by being sought out by President Theodore Roosevelt as his personal consultant on managing not-for-profit, non-governmental, and voluntary organizations.

Follett's educational and work background would shape and influence her future theories and writings. One of her earliest career positions would see her working as a social worker in the Roxbury neighbourhood of Boston from 1900-08. During this period her interactions with the Roxbury community would lead her to realize the importance of community spaces as areas to meet and socialize.

Her experience in developing vocational guidance and evening programs in public schools, she would develop what would be her life's work and her theories in group dynamics. "The New State", her second writing published in 1918, would evolve from a report into her second published work. This publication would go on to lay the foundational theories for her most important theories and become a major centre of attention of her career.



---

In her capacity as a management theorist, Follett pioneered the understanding of lateral processes within hierarchical organizations (which recognition led directly to the formation of matrix-style organizations, the first of which was DuPont, in the 1920s), the importance of informal processes within organizations, and the idea of the "authority of expertise"—which really served to modify the typology of authority developed by her German contemporary, Max Weber, who broke authority down into three separate categories: rational-legal, traditional and charismatic.

She recognized the holistic nature of community and advanced the idea of "reciprocal relationships" in understanding the dynamic aspects of the individual in relationship to others. Follett advocated the principle of what she termed "integration," or no coercive power-sharing based on the use of her concept of "power with" rather than "power over."

Follett contributed greatly to the win-win philosophy, coining the term in her work with groups. Her approach to conflict was to embrace it as a mechanism of diversity and an opportunity to develop integrated solutions rather than simply compromising. She was also a pioneer in the establishment of community centers.

Follett's writings span the decades. In *The New State*, she ponders many of the social issues at hand today: It is a mistake to think that social progress is to depend upon anything happening to the working people: some say that they are to be given more material goods and all will be well; some think they are to be given more "education" and the world will be saved. It is equally a mistake to think that what we need is the conversion to "unselfishness" of the capitalist class."

Ann Pawelec Deschenes (1998) found obscure reference pointing to Mary Parker Follett having coined the term "transformational leadership". She quotes from Edith A. Rusch's *The Social Construction of Leadership: From Theory to Praxis* (1991): writings and lectures by Mary Parker Follett from as early as 1927 contained references to transformational leadership, the interrelationship of leadership and followership, and the power of collective goals of leaders and followers.



---

Burns makes no reference to Follett in *Leadership*. However, Rusch was able to trace what appear to be parallel themes in the works of Burns and Follett. Rusch presents direct references in Appendix A. Pawelec (Deschenes) found further parallels of transformational discourse between Follett's (1947, 1987) work and Burns (1978).

From *The Collected Papers of Mary Parker Follett*: "Moreover, we have now to lay somewhat less stress than formerly on this matter of the leader influencing his group because we now think of the leader as also being influenced by his group."

Although most of Follett's writings remained known in very limited circles until republished at the beginning of this decade, her ideas gained great influence after Chester Barnard, a New Jersey Bell executive and advisor to President Franklin D. Roosevelt, published his seminal treatment of executive management, *The Functions of the Executive*. Barnard's work, which stressed the critical role of "soft" factors such as "communication" and "informal processes" in organizations, owed a telling yet undisclosed debt to Follett's thought and writings. Her emphasis on such soft factors paralleled the work of Elton Mayo at Western Electric's Hawthorne Plant, and presaged the rise of the Human Relations Movement, as developed through the work of such figures as Abraham Maslow, Kurt Lewin, Douglas McGregor, Chris Argyris and other breakthrough contributors to the field of Organizational Development.

Her influence can also be seen indirectly perhaps in the work of Ron Lippitt, Ken Benne, Lee Bradford, Edie Seashore and others at the National Training Laboratories in Bethel, Maine, where T-Group methodology was first theorized and developed. Follett's work set the stage for a generation of effective, progressive changes in management philosophy, style and practice, revolutionizing and humanizing the American workplace, and allowing the fulfillment of Douglas McGregor's management vision—quantum leaps in productivity effected through the humanization of the workplace.

Follett died on December 18, 1933, in Boston, Massachusetts. After her death her work and ideas would disappear from American organizational and management circles of the time but would continue to gain followership in Great Britain. In the last decades her work has been



---

rediscovered. During the 1960s her ideas would re-emerge in Japan where management thinkers would apply her theories to business. Management theorist Warren Bennis said of Follett's work, "Just about everything written today about leadership and organizations comes from Mary Parker Follett's writings and lectures."

Her texts outline modern ideas under participatory management: decentralized decisions, integrating role of groups, and competition authority. Follett managed to reduce the gap between the mechanistic approach and contemporary approach that emphasizes human behavior.

Her advocacy for schools to be used after hours for recreational and vocational use affected the Boston area where schools opened their doors after hours for such uses, and community centers were built where schools were not located a revolutionary concept during the 20th century. Her experience working in this area taught her a lot about notions of democracy and led her to write more for a wider audience – particularly the business world. She believed that good practice amongst business people would have a significant impact on other institutions.

She authored a number of books and numerous essays, articles and speeches on democracy, human relations, political philosophy, psychology, organizational behavior and conflict resolution.

5. The Speaker of the House of Representatives(1896)
6. The New State (1918)
7. Creative Experience (1924)
8. The Giving of Orders(1926)
9. Dynamic Administration: The Collected Papers of Mary Parker Follett (1942) (a collection of speeches and short articles was published posthumously)

## UNIT - II

*Planning – Meaning- Characteristics – Planning Process – Types of Plans – Forecasting – Elements – Techniques – Decision Making- Definition  
– Nature - Type of Decisions – Process.*

**II – BBA – PoM – SMBA31 - Handled By Ms. K. Meena, MBA, M.Phil, PGDCA, (Ph.D), UGC – NET – MGT.,  
Assistant Professor(Temporary), DoBA, GASC(W), Sathankulam - 628704**



---

## PLANNING



Koi

### MEANING:

Planning is the first and foremost functions of Management. Planning (also called forethought) is the process of thinking about and organizing the activities required to achieve a desired goal.

Planning involves the creation and maintenance of a plan. As such, planning is a fundamental property of intelligent behavior. This thought process is essential to the creation and refinement of a plan, or integration of it with other plans; that is, it combines forecasting of developments with the preparation of scenarios of how to react to them.

In simple words, planning is deciding in advance what is to be done, when where, how and by whom it is to be done. Planning bridges the gap from where we are to where we want to go. It includes the selection of objectives, policies, procedures and programmes from among alternatives.

A plan is a predetermined course of action to achieve a specified goal. It is an intellectual process characterized by thinking before doing. It is an attempt on the part of manager to anticipate the future in order to achieve better performance. Planning is the primary function of management.

### DEFINITIONS:

Different authors have given different definitions of planning from time to time. The main definitions of planning are as follows:



- According to Theo Haimann, "Planning is deciding in advance what is to be done. When a manager plans, he projects a course of action for further attempting to achieve a consistent co-ordinate structure of operations aimed at the desired results.
- According to Koontz and O' Donnell, "Planning is an intellectual process, conscious determination of course of action, the basing of decision on purpose, facts and considered estimates."
- According to Allen, "A plan is a trap laid to capture the future."

### PLANNING CHARACTERISTICS:



1. **Managerial function:** Planning is a first and foremost managerial function provides the base for other functions of the management, i.e. organising, staffing, directing and controlling, as they are performed within the periphery of the plans made.
2. **Goal oriented:** It focuses on defining the goals of the organisation, identifying alternative courses of action and deciding the appropriate action plan, which is to be undertaken for reaching the goals.
3. **Pervasive:** It is pervasive in the sense that it is present in all the segments and is required at all the levels of the organisation. Although the scope of planning varies at different levels and departments.





- 
4. **Continuous Process:** Plans are made for a specific term, say for a month, quarter, year and so on. Once that period is over, new plans are drawn, considering the organisation's present and future requirements and conditions. Therefore, it is an ongoing process, as the plans are framed, executed and followed by another plan.
  5. **Intellectual Process:** It is a mental exercise as it involves the application of mind, to think, forecast, imagine intelligently and innovate etc.
  6. **Futuristic:** In the process of planning we take a sneak peek of the future. It encompasses looking into the future, to analyse and predict it so that the organisation can face future challenges effectively.
  7. **Decision making:** Decisions are made regarding the choice of alternative courses of action that can be undertaken to reach the goal. The alternative chosen should be best among all, with the least number of the negative and highest number of positive outcomes.

### **PLANNING PROCESS:**

Planning is a process which embraces a number of steps to be taken. Planning is an intellectual exercise and a conscious determination of courses of action. Therefore, it requires courses of action. The planning process is valid for one organisation and for one plan, may not be valid for other organizations or for all types of plans, because various factors that go into planning process may differ from organisation to organisation or from plan to plan. For example, planning process for a large organisation may not be the same for a small organisation. However, the major steps involved in the planning process of a major organisation or enterprise are as follows:



### **1. Establishing objectives:**

The first and primary step in planning process is the establishment of planning objectives or goals. Definite objectives, in fact, speak categorically about what is to be done, where to place the initial emphasis and the things to be accomplished by the network of policies, procedures, budgets and programmes, the lack of which would invariably result in either faulty or ineffective planning. It needs mentioning in this connection that objectives must be understandable and



---

rational to make planning effective. Because the major objective, in all enterprise, needs be translated into derivative objective, accomplishment of enterprise objective needs a concrete endeavour of all the departments.

## **2. Establishment of Planning Premises:**

Planning premises are assumptions about the future understanding of the expected situations. These are the conditions under which planning activities are to be undertaken. These premises may be internal or external. Internal premises are internal variables that affect the planning. These include organizational policies, various resources and the ability of the organisation to withstand the environmental pressure. External premises include all factors in task environment like political, social technological, competitors' plans and actions, government policies, market conditions. Both internal factors should be considered in formulating plans. At the top level mainly external premises are considered. As one moves downward, internal premises gain importance.

## **3. Determining Alternative Courses:**

The next logical step in planning is to determine and evaluate alternative courses of action. It may be mentioned that there can hardly be any occasion when there are no alternatives. And it is most likely that alternatives properly assessed may prove worthy and meaningful. As a matter of fact, it is imperative that alternative courses of action must be developed before deciding upon the exact plan.

## **4. Evaluation of Alternatives:**

Having sought out the available alternatives along with their strong and weak points, planners are required to evaluate the alternatives giving due weight-age to various factors involved, for one alternative may appear to be most profitable involving heavy cash outlay whereas the other less profitable but involve least risk. Likewise, another course of action may be found contributing significantly to the company's long-range objectives although immediate expectations are likely to go unfulfilled. Evidently, evaluation of alternative is a must to arrive at a decision. Otherwise, it would be difficult to choose the best course of action in the perspective of company needs and resources as well as objectives laid down.



---

## **5. Selecting a Course of Action:**

The fifth step in planning is selecting a course of action from among alternatives. In fact, it is the point of decision-making-deciding upon the plan to be adopted for accomplishing the enterprise objectives.

## **6. Formulating Derivative Plans:**

To make any planning process complete the final step is to formulate derivative plans to give effect to and support the basic plan. For example, if Indian Airlines decide to run Jumbo Jets between Delhi and Patna, obviously, a number of derivative plans have to be framed to support the decision, e.g., a staffing plan, operating plans for fuelling, maintenance, stores purchase, etc. In other words, plans do not accomplish themselves. They require to be broken down into supporting plans. Each manager and department of the organisation is to contribute to the accomplishment of the master plan on the basis of the derivative plans.

## **7. Establishing Sequence of Activities:**

Timing is an sequence of activities are determined after formulating basic and derivative plans, so that plans may be put into action. Timing is an essential consideration in planning. It gives practical shape and concrete form to the programmes. The starting and finishing times are fixed for each piece of work, so as to indicate when the within what time that work is to be commenced and completed. Bad timing of programmes results in their failure. To maintain a symmetry of performance and a smooth flow of work, the sequence of operation shaped be arranged carefully by giving priorities to some work in preference to others. Under sequence it should be decided as to who will do what and at what time.

## **8. Feedback or Follow-up Action:**

Formulating plans and chalking out of programmes are not sufficient, unless follow-up action is provided to see that plans so prepared and programmes chalked out are being carried out in accordance with the plan and to see whether these are not kept in cold storage. It is also required to see whether the plan is working well in the present situation. If conditions have changed, the plan current plan has become outdated or inoperative it should be replaced by another plan. A



---

regular follow-up is necessary and desirable from effective implementation and accomplishment of tasks assigned.

The plan should be communicated to all persons concerned in the organisation. Its objectives and course of action must be clearly defined leaving no ambiguity in the minds of those who are responsible for its execution. Planning is effective only when the persons involved work in a team spirit and all are committed to the objectives, policies, programmes, strategies envisaged in the plan.

### **TYPES OF PLANS:**

Planning is a process and plan is its outcome. Plan is a sort of commitment to accomplish all the activities needed for the attainment of special results, from this point of view there are many plans. The following study will help in understanding different kinds of plans.

#### **1. Objectives:**

Objectives are those end points for the attainment of which all the activities are undertaken. **For example**, to improve the communication system to hold regular staff meeting and publish a newsletter.

#### **2. Strategies:**

Strategies refer to those plans which are prepared in view of the move of the competitors and whose objective is to make possible the optimum utilization of resources.

#### **3. Policies:**

Policies are those general statements which are decided for the guidance of the employees while taking decision. Their purpose is laying down a limit within which a particular work can be done or decision taken. Objectives decide what is to be achieved and the policies tell us how it can be achieved.

#### **4. Procedures:**

Procedures are those plans which determine the sequence of any work performance.

**For example**, the recovery of money from the debtors can be done in the following order: Writing letters, connecting on telephone, Meeting personally, and taking legal



---

action. This is the procedure of collecting money from all the debtors. There is a difference between policies and procedures. There can be two policies of the organization regarding the recovery of money from the debtors. (A) Tight collection policy, and (B) Lenient collection policy. Under the first policy an effort is made to recover money from debtors is by treating him harshly. Under the second policy the debtors will be given enough time for the payment of money while treating him leniently.

#### **5. Methods:**

Methods are that plan which determines how different activities of the procedure are completed. Methods are not related to all steps but only to one step of the procedure. It is more detailed than procedure. There may be many methods to do a particular work. After extensive study, a method has to be selected from which a worker feels minimum fatigue, increase in productivity and there is reduction in costs.

#### **6. Rules:**

Rules tell us what is to be done and what is not to be done in particular situation. In the absence of rules there is no need to take any decision. Whatever is said in the rules has to be followed without any thinking.

**For example**, the rule “No smoking in the factory “is applicable to everybody and it must be observed. Provision for punishment in case of non-observing of the rule can also be made.

#### **7. Budget:**

Budgets describe the desired results in numerical terms. A budget is that planning which provides detailers about estimated money, material time and other resources for the achievement of pre determined objectives of various departments.

**For example**, the sales department’s budget gives estimated figures about the type of material that will be purchased, its quantity, the time of purchase and the amount to be spent on it. Similarly, budget of other departments are also prepared.

#### **8. Programmes:**



---

A programme means a single-use comprehensive plan laying down the what, how who and when of accomplishing a specific job. Through program me the managers are informed in advance about various needs so that there is no problem in future. The programmers can be different types-production programme, Training programme Sales promotion programme management developing programme.etc.

## **FORECASTING**

In preparing plans for the future, the management authority has to make some predictions about what is likely to happen in the future. It shows that the managers know something of future happenings even before things actually happen. Forecasting provides them this knowledge.

Forecasting is the process of estimating the relevant events of future, based on the analysis of their past and present behaviour.

Forecasting may be defined as the process of assessing the future normally using calculations and projections that take account of the past performance, current trends, and anticipated changes in the foreseeable period ahead.

### **ELEMENTS OF FORECASTING:**

Forecasting is one of the most important parts of any manufacturing business. It determines how many quantities of each item you're prepared to make, it can have a hand in planning for budget and profit for the next year, and it can even determine how much extra equipment you need like wire shelving, industrial storage, and even staffing levels.

Not every forecasting system will work for every facility or every industry, but there's a lot of things they all have in common. If you want to determine the right forecasting system for your factory, here's a few elements you're going to want to keep in mind:

#### **1. The forecast should be timely:**



---

A certain amount of time is going to be needed to respond to a new forecast. Capacity can't be expanded overnight, and in order to increase or reduce production to meet the forecast you're going to need enough time to reconfigure your equipment and processes. Accordingly, try to leave enough time in your forecasting to cover any potentially needed changes.

**2. The forecast should be accurate:**

Sure, this sounds a little obvious, but any forecasting needs to be as accurate and researched as possible. This will enable any user to plan for possible error, and will provide a good basis for comparing alternative forecasts.

**3. The forecast should be reliable:**

In a similar vein to being accurate, a forecast system needs to produce the same results every time. Even an occasional error could cause big problems for your overall forecast and projections, and could leave users with the uneasy feeling that their system isn't as reliable as it should be.

**4. The forecast should be in the correct units:**

The forecast needs to be in a unit of measurement that is the most meaningful to whoever will be using it. If the forecast is primarily financial, measuring it in the cost of the items as opposed to the quantity of items produced will prove more useful, while production planners need to know how many of each unit will be produced, and so on and so forth.

**5. The forecast should be simple to understand and use:**

Forecasts that are overly complicated tend not to instill a lot of confidence in users. Make sure your forecasts are thorough enough to cover everything that needs to be forecasted, but simple enough that new users can get acclimated quickly.

**TECHNIQUES OF FORECASTING:**





---

There are various methods of forecasting. However, no method can be suggested as universally applicable. In fact, most of the forecasts are done by combining various methods. A brief discussion of the major forecasting methods is given below:

### **1. Historical Analogy Method:**

Under this method, forecast in regard to a particular situation is based on some analogous conditions elsewhere in the past. The economic situation of a country can be predicted by making comparison with the advanced countries at a particular stage through which the country is presently passing. Similarly, it has been observed that if anything is invented in some part of the world, this is adopted in other countries after a gap of a certain time. Thus, based on analogy, a general forecast can be made about the nature of events in the economic system of the country. It is often suggested that social analogies have helped in indicating the trends of changes in the norms of business behaviour in terms of life. Likewise, changes in the norms of business behaviour in terms of attitude of the workers against inequality, find similarities in various countries at various stages of the history of industrial growth. Thus, this method gives a broad indication about the future events of general nature.

### **2. Survey Method:**

Surveys can be conducted to gather information on the intentions of the concerned people. For example, information may be collected through surveys about the probable expenditure of consumers on various items. Both quantitative and qualitative information may be collected by this method. On the basis of such surveys, demand for various products can be projected. Survey method is suitable for forecasting demand—both of existing and new products. To limit the cost and time, the survey may be restricted to a sample from the prospective consumers.

### **3. Opinion Poll:**

Opinion poll is conducted to assess the opinion of the experienced persons and experts in the particular field whose views carry a lot of weight. For example, opinion polls are very popular to predict the outcome of elections in many countries including India. Similarly, an opinion poll of the sales representatives, wholesalers or marketing experts may be helpful in formulating demand projections. If opinion polls give widely divergent views, the experts may be called for



---

discussion and explanation of why they are holding a particular view. They may be asked to comment on the views of the others, to revise their views in the context of the opposite views, and consensus may emerge. Then, it becomes the estimate of future events.

#### **4. Business Barometers:**

A barometer is used to measure the atmospheric pressure. In the same way, index numbers are used to measure the state of an economy between two or more periods. These index numbers are the device to study the trends, seasonal fluctuations, cyclical movements, and irregular fluctuations. These index numbers, when used in combination with one another, provide indications as to the direction in which the economy is proceeding. Thus, with the business activity index numbers, it becomes easy to forecast the future course of action. However, it should be kept in mind that business barometers have their own limitations and they are not sure road to success. All types of business do not follow the general trend but different index numbers have to be prepared for different activities, etc.

#### **5. Time Series Analysis:**

Time series analysis involves decomposition of historical series into its various components, viz. trend, seasonal variances, cyclical variations, and random variances. When the various components of a time series are separated, the variation of a particular situation, the subject under study, can be known over the period of time and projection can be made about the future. A trend can be known over the period of time which may be true for the future also. However, time series analysis should be used as a basis for forecasting when data are available for a long period of time and tendencies disclosed by the trend and seasonal factors are fairly clear and stable.

#### **6. Regression Analysis:**

Regression analysis is meant to disclose the relative movements of two or more inter-related series. It is used to estimate the changes in one variable as a result of specified changes in other variable or variables. In economic and business situations, a number of factors affect a business activity simultaneously. Regression analysis helps in isolating the effects of such factors to a great extent. For example, if we know that there is a positive relationship between advertising expenditure and volume of sales or between sales and profit, it is possible to have estimate of the



---

sales on the basis of advertising, or of the profit on the basis of projected sales, provided other things remain the same.

### **7. Input-Output Analysis:**

According to this method, a forecast of output is based on given input if relationship between input and output is known. Similarly, input requirement can be forecast on the basis of final output with a given input-output relationship. The basis of this technique is that the various sectors of economy are interrelated and such inter-relationships are well-established. For example, coal requirement of the country can be predicted on the basis of its usage rate in various sectors like industry, transport, household, etc. and how the various sectors behave in future. This technique yields sector-wise forecasts and is extensively used in forecasting business events as the data required for its application are easily obtained.

## **DECISION - MAKING**

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager. Decisions play important roles as they determine both organizational and managerial activities. Decision making process is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning.

### **DEFINITION:**

Decision making is defined as the process of choosing the best alternative among alternative courses of actions. Decision making involves a choice among alternatives.

### **NATURE:**

The following is the nature of decision-making:

*II – BBA – PoM – SMBA31 - Handled By Ms. K. Meena, MBA, M.Phil, PGDCA, (Ph.D), UGC – NET – MGT.,  
Assistant Professor(Temporary), DoBA, GASC(W), Sathankulam - 628704*



---

### **1. Goal-Oriented Process:**

Decision-making is a goal-oriented process. It aims at achieving certain specific goals of the organisation.

### **2. Selection Process:**

Decision-making is a selection process in which best alternative course of action is chosen from the given alternative courses of action.

### **3. Continuous Process:**

Decision-making is a continuous process because a manager is required to take decisions continuously for different activities.

### **4. Art as Well as Science:**

Decision-making is considered both an art and a science.

### **5. Responsibilities of Managers:**

Decision-making is the responsibility of managers at different levels of management.

### **6. Positive as Well as Negative:**

Decision-making can be both positive and negative i.e. it may be positive (to perform certain activities) or negative (not to perform certain activities).

### **7. Future Course of Action:**

Decisions are made for future course of action based on the basis of past experiences and present conditions.

## **TYPES OF DECISIONS:**

Decisions may be of different types. Some of the important types of managerial decisions are explained as follows:-



---

### ***1. Programmed and Non-Programmed Decisions:***

(a) Programmed decisions are those made in accordance with some habit, rule or procedure. Every organisation has written or unwritten policies that simplify decision making in recurring situations by limiting or excluding alternatives.

For example, we would not usually have to worry about what to pay to a newly hired employee; organizations generally have an established salary scale for all positions. Routine procedures exist for dealing with routine problems.

Routine problems are not necessarily simple ones; programmed decisions are used for dealing with complex as well as with uncomplicated issues. To some extent, of course, programmed decisions limit our freedom, because the organization rather than the individual decides what to do.

However, the policies, rules or procedures by which we make decisions free us of the time needed to work out new solutions to old problems, thus allowing us to devote attention to other, more important activities in the organization.

(b) Non-programmed decisions are those that deal with unusual or exceptional problems. If a problem has not come up often enough to be covered by a policy or is so important that it deserves special treatment, it must be handled by a non-programmed decision.

### ***2. Major and Minor Decisions:***

A decision related to the purchase of a CNC machine costing several lakhs is a major decision and purchase of a few reams of typing paper is a minor (matter or) decision.

### ***3. Routine and Strategic Decisions:***

Routine decisions are of repetitive nature, do not require much analysis and evaluation, are in the context of day-to-day operations of the enterprise and can be made quickly at middle



---

management level. An example is, sending samples of a food product to the Government investigation centre.

Strategic decisions relate to policy matter, are taken at higher levels of management after careful analysis and evaluation of various alternatives, involve large expenditure of funds and a slight mistake in decision making is injurious to the enterprise. Examples of strategic decisions are- capital expenditure decisions, decisions related to pricing, expansion and change in product line etc.

#### ***4. Organizational and Personal Decisions:***

A manager makes organizational decisions in the capacity of a company officer. Such decisions reflect the basic policy of the company. They can be delegated to others. Personal decisions relate the manager as an individual and not as a member of an organization. Such decisions cannot be delegated.

#### ***5. Individual and Group Decisions:***

Individual decisions are taken by a single individual in context of routine decisions where guidelines are already provided. Group decisions are taken by a committee constituted for this specific purpose. Such decisions are very important for the organisation.

#### ***6. Policy and Operative Decisions:***

Policy decisions are very important, they are taken by top management, they have a long-term impact and mostly relate to basic policies. Operative decisions relate to day-to-day operations of the enterprise and are taken at lower or middle management level. Whether to give bonus to employees is a policy decision but calculating bonus for each employee is an operative decision.

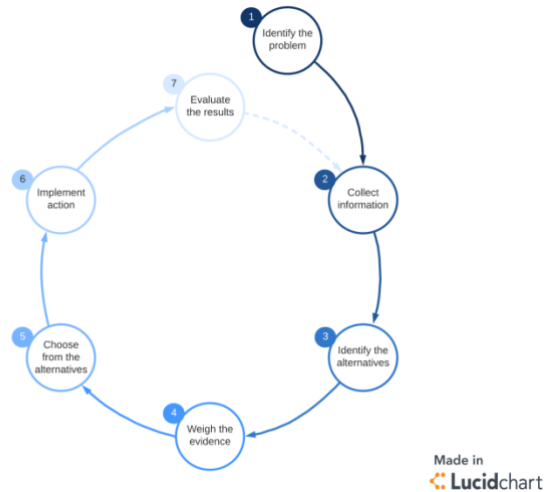
#### ***7. Long-Term Departmental and Non-Economic Decisions:***

In case of long term decisions, the time period covered is long and the risk involved is more. Departmental decisions relate to a particular department only and are taken by departmental head. Non-economic decisions relate to factors such as technical values, moral behavior etc.



---

## DECISION MAKING PROCESS:



The business decision-making process is a step-by-step process allowing professionals to solve problems by weighing evidence, examining alternatives, and choosing a path from there. This defined process also provides an opportunity, at the end, to review whether the decision was the right one.

### 1. Identify the decision

To make a decision, you must first identify the problem you need to solve or the question you need to answer. Clearly define your decision. If you misidentify the problem to solve, or if the problem you've chosen is too broad, you'll knock the decision train off the track before it even leaves the station. If you need to achieve a specific goal from your decision, make it measurable and timely so you know for certain that you met the goal at the end of the process.

### 2. Gather relevant information

Once you have identified your decision, it's time to gather the information relevant to that choice. Do an internal assessment, seeing where your organization has succeeded and failed in



---

areas related to your decision. Also, seek information from external sources, including studies, market research, and, in some cases, evaluation from paid consultants.

Beware: you can easily become bogged down by too much information—facts and statistics that seem applicable to your situation might only complicate the process.

### **3. Identify the alternatives**

With relevant information now at your fingertips, identify possible solutions to your problem. There is usually more than one option to consider when trying to meet a goal—for example, if your company is trying to gain more engagement on social media, your alternatives could include paid social advertisements, a change in your organic social media strategy, or a combination of the two.

### **4. Weigh the evidence**

Once you have identified multiple alternatives, weigh the evidence for or against said alternatives. See what companies have done in the past to succeed in these areas, and take a good hard look at your own organization's wins and losses. Identify potential pitfalls for each of your alternatives, and weigh those against the possible rewards.

### **5. Choose among alternatives**

Here is the part of the decision-making process where you, you know, make the decision. Hopefully, you've identified and clarified what decision needs to be made, gathered all relevant information, and developed and considered the potential paths to take. You are perfectly prepared to choose.





---

## 6. Take action

Once you've made your decision, act on it! Develop a plan to make your decision tangible and achievable. Develop a project plan related to your decision, and then set the team loose on their tasks once the plan is in place.

## 7. Review your decision

After a predetermined amount of time—which you defined in step one of the decision-making process—take an honest look back at your decision. Did you solve the problem? Did you answer the question? Did you meet your goals?

If so, take note of what worked for future reference. If not, learn from your mistakes as you begin the decision-making process again.

## Unit – III

*Organising- Meaning –Principles of Organising – Forms of Organisational Structure- Departmentation - Factors Determining Departmentation – Methods –Span of Management.*



## MEANING:



---

Organising is that managerial process which seeks to define the role of each individual (manager and operator) towards the attainment of enterprise objectives; with due regard to establishing authority-responsibility relationships among all; and providing for co-ordination in the enterprise-as an in-built device for obtaining harmonious groups action.

### **DEFINITIONS:**

In the words of Theo Haimann, "Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organizing function, the manager defines, departmentalizes and assigns activities so that they can be most effectively executed."

Organising is a "process of defining the essential relationships among people, tasks and activities in such a way that all the organisation's resources are integrated and coordinated to accomplish its objectives efficiently and effectively". — Pearce and Robinson

### **Principles of Organizing:**

Principles are the guidelines that promote managerial thinking and action. Principles help managers in effectively carrying out the organising function. These principles are as follows:

#### **(i) Principle of Unity of Objectives:**

All organisational activities are geared towards organisational objectives. Objectives are framed for each level (top, middle and low) and each functional area. The objectives must be clearly understood by all. They should support each other at each level to attain objectives at higher levels.

#### **(ii) Organisational Efficiency:**

Organisational goals should be achieved efficiently. It means optimum (efficient) use of resources, that is, maximum output should be achieved with minimum inputs. The resources should be spread over activities in various functional areas that collectively result in maximum output through their optimum use.



**(iii) Division of Labour:**

Division of labour means breaking the main task into smaller units. The major task is broken into sub-tasks. This makes each person concentrate on his part of the job and perform it efficiently thereby, increasing the total output. Work should be divided and assigned to workers according to their skills. This leads to specialisation and contributes to organisational output.

**(iv) Authority – Responsibility:**

Authority and responsibility must go hand-in-hand. Responsibility means obligation to carry out the assigned task. To carry out this task, authority should be delegated to every person. Conversely, given the authority, the tasks assigned (responsibility) should be within the scope of authority. Authority without responsibility will result in misuse of authority and responsibility without authority will result in poor performance.

**(v) Delegation:**

The total work load is divided into parts. A part is assigned to subordinates and authority is given to efficiently carry out that task. Top managers delegate part of their duties to lower levels and concentrate on important organisational matters. This speeds up the organisational tasks and enables the organisation to grow in the dynamic, competitive business environment.

**(vi) Scalar Chain:**

Scalar chain is the line of authority running from top to lower levels. Authority flows from top to bottom in this chain and responsibilities flow from bottom to top. This chain promotes communication amongst people at different levels and facilitates decision making. Every person in the chain knows his superior and subordinate.

**(vii) Span of Control:**

Span of control means the number of subordinates that a superior can effectively supervise. Exact number of employees that a manager can supervise cannot be determined. It depends upon competence of managers, nature of work, system of control, capacity of subordinates etc.



---

However, if manager can supervise less number of workers, there will be more levels in the organisation structure and vice-versa. Supervising few subordinates creates tall structures and supervising large number of workers creates flat structures.

**(viii) Unity of Command:**

One subordinate should have one boss. People should receive orders from their immediate boss only. This brings discipline and order in the organisation. Receiving orders from two or more bosses can create confusion and indiscipline.

**(ix) Balance:**

There must be balance between different principles of organising. Balance should be maintained between centralisation and decentralisation, narrow and wide span of control etc.

**(x) Flexibility:**

Organisation should be flexible. Changes in structure should be made according to changes in the environmental factors.

**(xi) Continuity:**

Organisation should adapt to the environmental changes for its long-run survival, growth and expansion.

**(xii) Exception:**

Every matter should not be reported to top managers. Only significant deviations should be reported up the hierarchy. Routine matters should be dealt by middle and lower-level managers. It develops lower-level managers as they deal with simple and routine problems.

**(xiii) Simplicity:**

Organisation structure should be simple that can be understood by everyone. People can work efficiently in a simple structure as they are clear of various jobs and authority/ responsibility



---

associated with those jobs. A simple structure promotes co-operation, coordination and effective communication in the organisation.

**(xiv) Departmentation:**

It means dividing activities into specialised groups (departments) where each department performs specialised organisational task. All activities of similar nature are grouped in one department headed by the departmental manager. Departments can be created on the basis of geographical locations, customers, products etc.

**(xv) Decentralisation:**

It means delegation of authority to lowest-level managers. It increases the decision-making authority of lower-level managers and increases organisational efficiency.

**(xvi) Unity of Direction:**

All activities of similar nature are grouped in one unit (production or marketing), headed by the departmental manager. He directs the efforts of departmental members towards a single objective; the departmental objective.

**(xvii) Co-Operation:**

All individuals and departments should co-operate and help the organisation achieve its goals. Cooperation leads to teamwork and focus on a unified goal.

**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:**

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.

#### **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. With growth, the line organisation 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. Under this system, the subordinates should follow the orders of their superior without expression their opinion on the orders. That means there is limited communication.
4. There may be a good deal of nepotism and favoritism. 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 specialized 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.

## **2. 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 specialty to serve line managers 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.

The following figure depicts the line and staff organisation:

### **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. Specialized Staff:**

Such staff acts as the fountainhead of expertise in specialized 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 advice 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 specialization.

**Advantages or merits 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 specialized 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 specialized 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 specialization. Thus, the organisation takes advantage of functional organisation while maintaining the unity of command.
  6. It is based upon planned specialization.
  7. Line and staff organisation has greater flexibility, in the sense that new specialized activities can be added to the line activities without disturbing the line procedure.

**Disadvantages or demerits of line and staff organisation:**

1. 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.
2. 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.
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 managers 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.



---

### 3. 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 specialists or bosses in the planning room and shop level are:

1. **The Route Clerk:**

To lay down the sequence of operations and instruct the workers concerned about it.

2. **The Instruction Card Clerk:**

To prepare detailed instructions regarding different aspects of work.

3. **The 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. **The Shop Disciplinarian:**

To deal with cases of breach of discipline and absenteeism.

5. **The 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.

6. **The Speed Boss:**

To ensure that machines are run at their best speeds and proper tools are used by the workers.

7. **The Repair Boss:**



---

To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.

#### **8. The Inspector:**

To show to the worker how to do the work.

#### **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 whosoever 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 ensures 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 specialization 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 managers facilitates better control and supervision in the organisation.

**Disadvantages or demerits 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-coordinating 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. A functional manager tends to create boundaries around him and think only in terms of his own department rather than of the whole enterprise. This results in loss of overall perspective in dealing with business problems.
6. It is difficult for the management to fix responsibility for unsatisfactory results.

**4. 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 organized 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 recognized 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:**

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 or merits of committee type of organisation:**

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 organizational cohesiveness. Group endeavour, team spirit and collective responsibility are control to the philosophy of committees.

### **Disadvantages of committee type of organisation**

- (a) 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.
- (b) Sometimes, a committee may not be able to take the needed decision because of the conflicting views of the members.
- (c) Committees take more time in procedural matters before any decision is taken. In some cases, slowness seriously handicaps the administration of the organisation.
- (d) Committees are an expensive device both in terms of cost and time.
- (e) When the committee findings represent a compromise of different viewpoints, they may be found to be weak and indecisive.
- (f) No member of a committee can be individually held responsible for the wrong decision taken by the committee.
- (g) 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.

## **DEPARTMENTATION**

Departmentation refers to the process of grouping activities into departments. Departmentation is the process of grouping of work activities into departments, divisions, and other homogenous units.

### **KEY FACTORS IN DEPARTMENTATION:**





- 
- It should facilitate control.
  - It should ensure proper coordination.
  - It should take into consideration the benefits of specialization.
  - It should not result in excess cost.
  - It should give due consideration to Human Aspects.

### **FACTORS DETERMINING DEPARTMENTATION:**

Each pattern of departmentation has its own merits and demerits. Besides, each one is suitable under specified circumstances and become unsuitable for other occasions. Hence, there is no one best way of departmentation applicable to all organizations.

Managers must determine what is best by looking at situation and after considering various factors. The following factors are to be considered while designing a suitable departmentation.

#### **1. Specialization:**

Departmentation should be made in such a way to yield the maximum advantage of specialization. Specialization is considered as the most important feature of modern enterprise. Hence, this factor should be given due consideration.

#### **2. Control:**

The departmentation should simplify the executives' task of control. A suitable system of internal check is to be evolved and incorporated in the pattern of departmentation. As a general rule, one activity, intended to serve as a check on another, should be under a separate executive. Similarly, a clear-cut division of work between various departments is essential to affix responsibility. In no way, the process should have the effect of diluting the control of the head quarters.

#### **3. Coordination:**

All inter-connected activities should be placed in one group and assigned to one executive. This will facilitate coordination of all the activities. Lack of coordination of various activities shall result in the failure of the firm. Hence, every effort should be taken to co-ordinate all the activities of the enterprise so as to achieve its cherished goals.



---

#### **4. Attention:**

All important functions which are basic to the organization should be given due recognition. For giving it greater attention than other activities, it may be placed in a separate division.

#### **5. Recognition of Local Conditions:**

While forming departments, attention must be paid to local conditions at the places concerned. For example, attention should be paid to the personalities of the people who will perform the activities or to the pattern of informal relationship among people.

#### **6. Economy:**

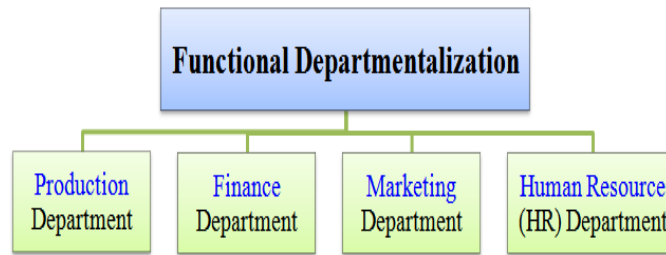
The expense involved in creating a separate department or division should also be taken into consideration. Though too much importance should not be attached to this factor, it should not be ignored altogether.

### **DEPARTMENTATION METHODS:**

Departmentation takes place in various patterns like departmentation by functions, products, customers, geographic location, process, and its combinations.

#### **A) Functional Departmentation:**

Functional departmentation is the process of grouping activities by functions performed. Activities can be grouped according to function (work being done) to pursue economies of scale by placing employees with shared skills and knowledge into departments for example human resources, finance, production, and marketing. Functional departmentation can be used in all types of organizations.



### **Advantages:**

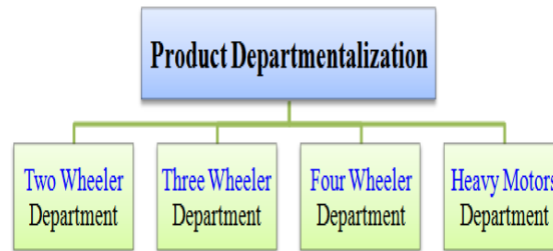
- Advantage of specialization
- Easy control over functions
- Pinpointing training needs of manager
- It is very simple process of grouping activities.

### **Disadvantages:**

- Lack of responsibility for the end result
- Overspecialization or lack of general management
- It leads to increase conflicts and coordination problems among departments.

### **B) Product Departmentation:**

Product departmentation is the process of grouping activities by product line. Tasks can also be grouped according to a specific product or service, thus placing all activities related to the product or the service under one manager. Each major product area in the corporation is under the authority of a senior manager who is specialist in, and is responsible for, everything related to the product line. Dabur India Limited is the India's largest Ayurvedic medicine manufacturer is an example of company that uses product departmentation. Its structure is based on its varied product lines which include Home care, Health care, Personal care and Foods.



### **Advantages:**

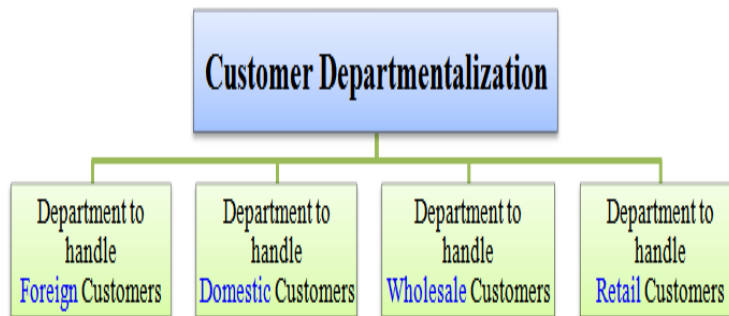
- It ensures better customer service
- Unprofitable products may be easily determined
- It assists in development of all around managerial talent
- Makes control effective
- It is flexible and new product line can be added easily.

### **Disadvantages:**

- It is expensive as duplication of service functions occurs in various product divisions
- Customers and dealers have to deal with different persons for complaint and information of different products

### **C) Customer Departmentation:**

Customer departmentation is the process of grouping activities on the basis of common customers or types of customers. Jobs may be grouped according to the type of customer served by the organization. The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists. UCO is the one of the largest commercial banks of India is an example of company that uses customer departmentation. Its structure is based on various services which includes Home loans, Business loans, Vehicle loans and Educational loans.



### **Advantages:**

- It focused on customers who are ultimate suppliers of money
- Better service to customer having different needs and tastes
- Development in general managerial skills

### **Disadvantages:**

- Sales being the exclusive field of its application, co-ordination may appear difficult between sales function and other enterprise functions.
- Specialized sales staff may become idle with the downward movement of sales to any specified group of customers.

**D) Geographic Departmentation:** Geographic departmentation is the process of grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography. For example, the organization structure of Coca-Cola Ltd has reflected the company's operation in various geographic areas such as Central North American group, Western North American group, Eastern North American group and European group



### **Advantages:**

- Help to cater to the needs of local people more satisfactorily.
- It facilitates effective control
- Assists in development of all-round managerial skills

### **Disadvantages:**

- Communication problem between head office and regional office due to lack of means of communication at some location
- Coordination between various divisions may become difficult.
- Distance between policy framers and executors
- It leads to duplication of activities which may cost higher.

### **E) Process Departmentation:**

Geographic departmentation is the process of grouping activities on the basis of product or service or customer flow. Because each process requires different skills, process departmentation allows homogenous activities to be categorized. For example, Bowater Thunder Bay, a Canadian company that harvests trees and processes wood into newsprint and pulp. Bowater has three divisions namely tree cutting, chemical processing, and finishing (which makes newsprint).



### **Advantages:**

- Oriented towards end result.
- Professional identification is maintained.
- Pinpoints product-profit responsibility.

### **Disadvantages:**

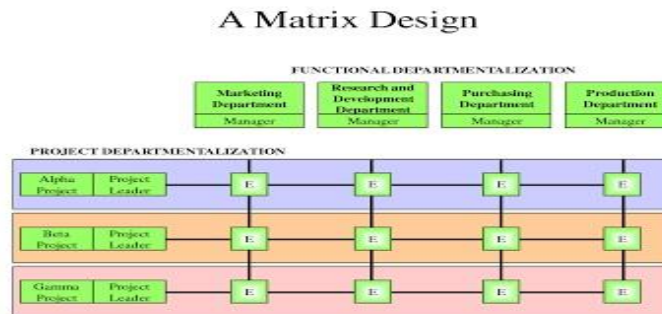
- Conflict in organization authority exists.
- Possibility of disunity of command.
- Requires managers effective in human relation

### **F) Matrix Departmentation:**

In actual practice, no single pattern of grouping activities is applied in the organization structure with all its levels. Different bases are used in different segments of the enterprise. Composite or hybrid method forms the common basis for classifying activities rather than one particular method, one of the mixed forms of organization is referred to as matrix or grid organization's According to the situations, the patterns of Organizing varies from case to case. The form of structure must reflect the tasks, goals and technology if the originations the type of people employed and the environmental conditions that it faces. It is not unusual to see firms that utilize the function and project organization combination.



The same is true for process and project as well as other combinations. For instance, a large hospital could have an accounting department, surgery department, marketing department, and a satellite center project team that make up its organizational structure.



### Advantages:

- Efficiently manage large, complex tasks
- Effectively carry out large, complex tasks

### Disadvantages

- Requires high levels of coordination
- Conflict between bosses
- Requires high levels of management skills

## SPAN OF MANAGEMENT

Span of Management means the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization.

**TYPES OF SPAN OF CONTROL:** Span of control is of two types:





---

**1. Narrow span of control:** Narrow Span of control means a single manager or supervisor oversees few subordinates. This gives rise to a tall organizational structure.

**Advantages:**

- Close supervision
- Close control of subordinates
- Fast communication

**Disadvantages:**

- Too much control and high costs.
- Many levels of management.
- Excessive distance between lowest level and highest level.

**2. Wide span of control:** Wide span of control means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational structure.

**Advantages:**

- More Delegation of Authority
- Development of Managers
- Clear policies

**Disadvantages:**

- Overloaded supervisors
- Danger of superiors loss of control
- Requirement of highly trained managerial personnel
- Block in decision making



## **UNIT – IV**

### **DIRECTING**

*II – BBA – PoM – SMBA31 - Handled By Ms. K. Meena, MBA, M.Phil, PGDCA, (Ph.D), UGC – NET – MGT.,  
Assistant Professor(Temporary), DoBA, GASC(W), Sathankulam - 628704*



---

*Directing – Definition – Characteristics - Importance - Principles and Techniques - Communication - Types and Methods – Controlling – Steps in Controlling – Essentials – Techniques.*



Directing is the heart of management function. All other functions of management such as planning, organizing, and staffing have no importance without directing. Leadership, motivation, supervision, communication are various aspects of directing.

#### **DEFINITION:**

According to Human, “Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned” Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.

#### **CHARACTERISTICS OF DIRECTING:**

The main characteristics of directing are discussed below:

- **Directing initiates action:**

Directing is a key managerial function. A directing function is performed by the managers along with development, recruitment, organizing and controlling in order to release their duties in the organization. A manager has to perform this function along with planning, organizing, staffing and controlling while discharging his duties in the organization. By giving directions or



---

instructions the managers get the work in progress in the organization. While other functions organize a proposal for action, directing initiates action.

- **Directing takes place at every level of management:**

Every manager, from the top executive to supervisor performs the function of directing. Directing is a persistent function as it is performed by managers at all levels and in all locations. Directing flows from a top level of administration to the base level. The directing takes place wherever superior-subordinate relations exist. Every manager has to administer, direct, inspire and communicate with his subordinate to get things done. Every manager exercises this function on his instantaneous subordinate. However, the time spent in directing is moderately more at the operational level of management.

- **Directing is a continuous process:**

Directing is a continuous activity. Directing is a constant procedure. A manager cannot just rest after issuing orders and instructions. It takes place throughout the life of the organization irrespective of people occupying managerial positions. It is a continuous function as it continues all over the life of organization irrespective of the changes in the managers or employees. He must constantly take steps to make sure that orders and instructions are conceded out accurately.

- **Directing flows from top to bottom:**

Directions are given by managers to their subordinates. Directing is first initiated at the top level and flows to the bottom through the organizational hierarchy. Every manager can direct his instant subordinate and take directions from the direct boss. It means that every manager can direct his immediate subordinate and take instructions from his immediate boss. Directing starts from top level and flows to the lower level.

- **Performance Oriented:**



---

Directing is a performance-oriented function. The major reason for directing is bringing competence in performance. Directing converts plans into performance. Performance is the spirit of directing. Directing functions direct the performance of individuals towards the attainment of managerial ambition.

- **Human Element:**

Since all employees are dissimilar and perform differently in dissimilar situations, it becomes significant for the managers to undertake the situations properly. The directing function involves revise and moulding of human behavior. Thus, directing is an important function that gets the work done by the employees and increases the enlargement of the organization. It motivates employees to work with their best capability.

- **Pervasive Function:**

Directing takes place at each level of the organization. Wherever there is a superior-subordinate relationship, directing exists as every manager provides leadership and motivation to his subordinates.

### **IMPORTANCE OF DIRECTING:**

1. **It Initiates Actions** - Directing is the function which is the starting point of the work performance of subordinates. It is from this function the action takes place, subordinates understand their jobs and do according to the instructions laid. Whatever are plans laid, can be implemented only once the actual work starts. It is there that direction becomes beneficial.
2. **It Ingrates Efforts** - Through direction, the superiors are able to guide, inspire and instruct the subordinates to work. For this, efforts of every individual towards accomplishment of goals are required. It is through direction the efforts of every department can be related and



---

integrated with others. This can be done through persuasive leadership and effective communication. Integration of efforts bring effectiveness and stability in a concern.

3. **Means of Motivation** - Direction function helps in achievement of goals. A manager makes use of the element of motivation here to improve the performances of subordinates. This can be done by providing incentives or compensation, whether monetary or non - monetary, which serves as a “Morale booster” to the subordinates Motivation is also helpful for the subordinates to give the best of their abilities which ultimately helps in growth.
4. **It Provides Stability** - Stability and balance in concern becomes very important for long term survival in the market. This can be brought upon by the managers with the help of four tools or elements of direction function - judicious blend of persuasive leadership, effective communication, strict supervision and efficient motivation. Stability is very important since that is an index of growth of an enterprise. Therefore a manager can use of all the four traits in him so that performance standards can be maintained.
5. **Coping up with the changes** - It is a human behaviour that human beings show resistance to change. Adaptability with changing environment helps in sustaining planned growth and becoming a market leader. It is directing function which is of use to meet with changes in environment, both internal as external. Effective communication helps in coping up with the changes. It is the role of manager here to communicate the nature and contents of changes very clearly to the subordinates. This helps in clarifications, easy adoptions and smooth running of an enterprise.

For example, if a concern shifts from handlooms to power looms, an important change in technique of production takes place. The resulting factors are less of manpower and more of machinery. This can be resisted by the subordinates. The manager here can explain that the change was in the benefit of the subordinates. Through more mechanization, production increases and thereby the profits. Indirectly, the subordinates are benefited out of that in form of higher remuneration.



- 
6. **Efficient Utilization of Resources** - Direction finance helps in clarifying the role of every subordinate towards his work. The resources can be utilized properly only when less of wastages, duplication of efforts, overlapping of performances, etc. don't take place. Through direction, the role of subordinates become clear as manager makes use of his supervisory, the guidance, the instructions and motivation skill to inspire the subordinates. This helps in maximum possible utilization of resources of men, machine, materials and money which helps in reducing costs and increasing profits.

### **PRINCIPLES OF DIRECTING:**

The principles of directing are:-

#### **1. Maximum Individual Contribution:**

One of the main principles of directing is the contribution of individuals. Management should adopt such directing policies that motivate the employees to contribute their maximum potential for the attainment of organizational goals.

#### **2. Harmony of Objectives:**

Sometimes there is a conflict between the organizational objectives and individual objectives.

For example, the organization wants profits to increase and to retain its major share, whereas, the employees may perceive that they should get a major share as a bonus as they have worked really hard for it.

Here, directing has an important role to play in establishing harmony and coordination between the objectives of both the parties.



---

### **3. Unity of Command:**

This principle states that a subordinate should receive instructions from only one superior at a time. If he receives instructions from more than one superior at the same time, it will create confusion, conflict, and disorder in the organization and also he will not be able to prioritize his work.

### **4. Appropriate Direction Technique:**

Among the principles of directing, this one state that appropriate direction techniques should be used to supervise, lead, communicate and motivate the employees based on their needs, capabilities, attitudes and other situational variables.

### **5. Managerial Communication:**

According to this principle, it should be seen that the instructions are clearly conveyed to the employees and it should be ensured that they have understood the same meaning as was intended to be communicated.

### **6. Use of Informal Organization:**

Within every formal organization, there exists an informal group or organization. The manager should identify those groups and use them to communicate information. There should be a free flow of information among the seniors and the subordinates as an effective exchange of information are really important for the growth of an organization.

### **7. Leadership:**

Managers should possess a good leadership quality to influence the subordinates and make them work according to their wish. It is one of the important principles of directing.





---

## 8. Follow Through:

As per this principle, managers are required to monitor the extent to which the policies, procedures, and instructions are followed by the subordinates. If there is any problem in implementation, then the suitable modifications can be made.

## TECHNIQUES OF DIRECTION:

A manager has at his disposal three broad techniques of direction.

### 1. Consultative direction:

In this method executive consults with his subordinates concerning the feasibility, the workability and the extent and content of a problem before the superior makes a decision and issues a directive.

The following **advantages** are claimed in this type of method:

- (a) Participation occurs on every level of organisation.
- (b) Better communication.
- (c) Least resistance from subordinates, experience and knowledge of subordinate also can be used to arrive at right directives.
- (d) It induces better motivation and morale.
- (e) It leads to better co-ordination and effective results.

This method has the following **disadvantages**:

- (a) It is time consuming.
- (b) Subordinates may consider it their right and prerogative to be consulted before a directive is given to them by their superiors.
- (c) Sometimes unnecessary arguments arise leading to wastage of time.

### 2. Free rein direction:

The free rein technique encourages and enables the subordinate to contribute his own initiative, independent thought, drive, perspicacity and ingenuity to the solution of the



---

problem. The free rein technique of direction will probably show the best and quickest results, if the subordinate is highly educated, brilliant young man a sole performer, who has a sincere desire to become a top level manager.

3. **Automatic direction:**

In this method manager gives direct, clear and precise orders to his subordinates, with detailed instructions as how and what is to be done allowing no room for the initiative of the subordinate.

## COMMUNICATION

The communication can be defined as the process through which two and more persons exchange ideas and develop understanding.

In an organisational set up, communication is the means by which people are linked together for a common purpose, to establish a common interest or mutual understanding. Thus, communication does not simply involve sending of a message by one person. It also involves the receiver listening to it, interpreting it, and responding to it or acting according to it.

### COMMUNICATION TYPES:

On the basis of the communication channels, types of communications are:

- A. Verbal
- B. Non-Verbal
- C. Visual

#### A. Verbal Communication:

This involves the use of language and words for the purpose of passing on the intended message. In general terms, Verbal Communication means communication in the form of spoken



---

words only. But, in the context of types of communication, verbal communication can be in the spoken or the written form. Thus, the verbal form may be oral or written as discussed below.

- **Written Communication:** This kind of communication involves any kind of exchange of information in the written form. For example, e-mails, texts, letters, reports, SMS, posts on social media platforms, documents, handbooks, posters, flyers, etc.
- **Oral Communication:** This is the communication which employs the spoken word, either direct or indirect as a communication channel. This verbal communication could be made on a channel that passes information in only one form i.e. sound. You could converse either face to face, or over the phone, or via voice notes or chat rooms, etc. It all comes under the oral communication. This form of communication is an effective form.

### **B. Non-Verbal Communication:**

In this type of communication, messages are relayed without the transmission of words. The messages here are wordless messages. This form of communication mainly aides verbal communication. It supplements it with gestures, body language, symbols, and expressions.

Through these, one may communicate one's mood, or opinion or even show a reaction to the messages that are relaying. One's non-verbal actions often set the tone for the dialogue. You can control and guide the communication if you control and guide the non-verbal communication. Some of the modes of non-verbal communication are:

#### ***Physical Non-verbal Communication***

This is the sum total of the physically observable. For instance, hand gestures, body language, facial expressions, the tone of one's voice, posture, stance, touch, gaze, and others. Several researchers have revealed that physical nonverbal communication constitutes about 55% of our daily communications.



---

These are subtle signals that are picked up as part of our biological wiring. For example, if you rest your head on your palms, it will mean that you are very disappointed or angry. Similarly, other subtle hints will convey your reaction to the presenter or your audience's reaction to you.

### ***Paralanguage***

This is the art of reading between the lines. The main kind of such communication is done with the tone of one's voice. This kind of communication amounts to almost 38% of all the communication that we do every day. Along with the tone of voice, the style of speaking, voice quality, stress, emotions, or intonation serves the purpose of communication. And, these aspects are not verbal.

### ***Aesthetic Communication***

Art is an important means of communication. Through the paintings or other forms of art, an artist can convey the strongest messages. Several times in the history of the world, art has been used as an effective form of nonverbal communication.

### ***Appearance***

The first impression sets the tone. People will react to your appearance and this is a fact of life. Your clothes, the color of the fabrics, etc. all determine the reaction of your audience.

## **C. Visual Communication:**

This is communication through visual aids like drawings, placards, presentations, and illustrations, etc.



---

## Formal & Informal Communication

Apart from the above types, we have formal & informal types of communication. Formal communication is of following types:

- **Vertical:** The information or data flows up and down the organizational structure.
- **Horizontal:** This is the communication between two similar levels of the organization.
- **Diagonal:** This is the communication across the cross-functional levels of employees from various departments of the organization.

The other form is the informal or casual communication which is the general communication between random people of the organizations.

## CONTROLLING

### CONCEPT OF CONTROL:

Control is the last function of management. If there is imperfection in the planning and actual performance, control will be needed. The deviations are set right by the controlling function. This function ensures desired results. Planning identifies the activities and controlling regulates the activities. Success or failure of planning depends upon the result of success or failure of controlling. It is an important function because it helps to check the errors and to take the corrective action so that deviation from standards are minimized and stated goals of the organization are achieved in a desired manner.

Control is the process through which managers assure that actual activities conform to planned activities.



---

According to modern concepts, control is a foreseeing action whereas earlier concept of control was used only when errors were detected. Control in management means setting standards, measuring actual performance and taking corrective action.

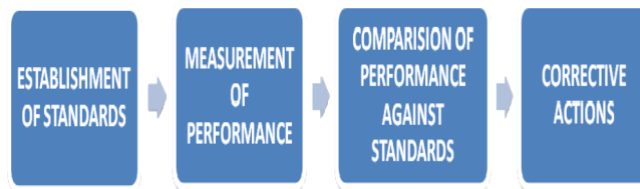
### **DEFINITION:**

In the words of Koontz and O'Donnell - "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

According to Harold Koontz, "Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished".

### **STEPS IN CONTROLLING:**

The basic control process involves mainly these steps as shown in Figure



#### **1. Establishing Standards**

- i. Measurable or tangible (Output Standards):** Standards can be measured and expressed quantitatively are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.
- ii. Non-measurable or intangible (Input Standards):** There are standards which cannot be measured quantitatively. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.



2. **Measuring Actual Performance:** Measurements must be accurate enough to spot deviations or variances between what really occurs and what is most desired. Without measurement, effective control is not possible.
3. **Comparing Actual With Standard:** Deviation is as the gap between actual performance and the planned targets. For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.
4. **Correction of Deviation:** Taking any action necessary to correct or improve things. There are two types of exceptions:
  - i. **Problems** - below standard
  - ii. **Opportunities** - above standard

## **ESSENTIALS IN CONTROLLING:**

The Essentials of Effective Control systems in Management are

### 1. ***Suitable:***

The control system should be appropriate to the nature and needs of the activity. A large firm calls for controls different from those needed for a small firm.

In other words, control should be tailored to fit the needs of the organisation. The flow of information concerning current performance should correspond with the organizational structure employed. If a superior is to be able to control overall operations, he must find a pattern that will provide control for individual parts. Budgets, quotas and other techniques may be useful in controlling separate departments.

### 2. ***Timely and Forward Looking:***

The control system should be such as to enable the subordinates to inform their superiors expeditiously about the threatened deviations and failures. The feedback system should be as short and quick as possible. If the control reports are not directed at future, they are of no use as they will not be able to suggest the types of measures to be taken to rectify the past deviations.



---

A proper system of control should enable the manager concerned to think of and plan for future also.

3. ***Objective and Comprehensive:***

The control system should be both, objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little room for argument by the employees. This is necessary both for the smooth working and the effectiveness of the system.

4. ***Flexible:***

The control system should be flexible so that it can be adjusted to suit the needs of any change in the environment. A sound control system will remain workable even when the plans change or fail outright. It must be responsive to changing conditions. It should be adaptable to new developments including the failure of the control system itself. Plans may call for an automatic system to be backed up by a human system that would operate in an emergency.

5. ***Economical:***

Economy is another requirement of every control. The benefit derived from a control system should be more than the cost involved in implementing it. A small company cannot afford the elaborate control system used by a large company. A control system is justifiable if the savings anticipated from it exceed the expected costs in its working.

6. ***Acceptable to Organisation Members:***

The system should be acceptable to organisation members. When standards are set unilaterally by upper level managers, there is a danger that employees will regard those standards as unreasonable or unrealistic.

7. ***Motivate People to High Performance:***

A control system is most effective when it motivates people to high performance. Since most people respond to a challenge, successfully meeting to tough standard may well provide a greater sense of accomplishment than meeting an easy standard. However, if a target is so tough that it seems impossible to meet, it will be more likely to discourage than to motivate effort.

8. ***Corrective Action:***





---

Merely pointing of deviations is not sufficient in a good control system. It must lead to corrective action to be taken to check deviations from standard through appropriate planning, organizing and directing. In the words of Koontz and O'Donnell, "An adequate control system should disclose where failure is occurring, who is responsible for them and what should be done about them." A control system will be of little use unless it can generate the solution to the problem responsible for deviation from standards.

9. ***Reflection of Organisation Pattern:***

Organization is not merely a structure of duties and function, it is also an important vehicle of control. In enforcing control the efficiency and the effectiveness of the organisation must be clearly brought out.

10. ***Human Factor:***

A good system of control should find the persons accountable for results, whenever large deviations take place. They must be guided and directed if necessary.

11. ***Direct Control:***

Any control system should be designed to maintain direct contact between the controller and controlled. Even when there are a number of control systems provided by staff specialists, the foreman at the first level is still important because he has direct knowledge of performance.

12. ***Focus on Strategic Points:***

A good system of control not only points out the deviations or exceptions but also pinpoints them where they are important or strategic to his operations.

**CONTROL TECHNIQUES:**

**Techniques of Managerial Control: Traditional and Modern Techniques!**

**1. Traditional Techniques:**

Traditional techniques refer to the techniques that have been used by business organisation for longer period of time and are still in use. Such techniques are: a. Personal Observation, b. Statistical Reports, c. Breakeven Analysis and d. Budgetary Control.

**(a) Personal Observation:** This is the most traditional technique of control. It helps a manager to collect first hand information about the performance of the employees. It also creates

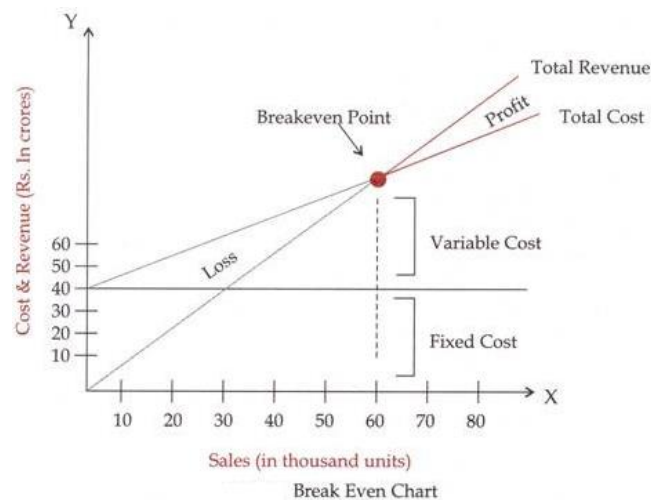


psychological pressure on the employees to improve their performance as they are aware that they are being observed personally by the manager. However, this technique is not to be effectively used in all kinds of jobs as it is very time consuming.

**(b) Statistical Reports:** Statistical analysis in the form of percentages, ratios, averages etc. in different areas provides useful information regarding performance of an organisation to its managers. When such information is presented in the form of tables, graphs, charts etc., it facilitates comparison of performance with the standards laid and with previous years' performance.

**(c) Breakeven Analysis:** The technique used by managers to study the relationship between sales volume, costs and profit is known as Breakeven Analysis. This technique helps the managers in estimating profits at different levels of activities. The following figure shows breakeven chart of a firm. The point at which the total revenue and total cost curves intersect is breakeven point. The figure shows that the firm will have the breakeven point at 60,000 units of output. At this point, there is neither profit nor loss. The firm starts earning profit beyond this point.

$$\text{Breakeven Point} = \text{Fixed Cost} / (\text{Selling price per unit} - \text{Variable cost per unit}).$$



Through breakeven analysis, a firm can keep a check on its variable cost and can also determine the level of activity at which it can earn its profit target.



---

**(d) Budgetary Control:** Under this technique, different budgets are prepared for different operations in an organisation in advance. These budgets act as standards for comparing them with actual performance and taking necessary actions for attaining organisational goals.

## **2. Modern Techniques:**

Modern techniques are those techniques which are very new in management world. These techniques provide various new aspects for controlling the activities of an organisation. These techniques are as follows: (a) Return on Investment, (b) Ratio Analysis, (c) Responsibility Accounting, (d) Management Audit, (e) PERT and CPM and (f) Management Information System.

**(a) Return on Investment:** Return on investment is very useful technique for determining whether the capital invested in the business has been effectively used or not for generating reasonable amount of return.

Return on Investment =  $(\text{Net Income} / \text{Total Investment}) \times 100$  Net Income before or after tax can be used for calculating ROI. Total investment includes investment in fixed Assets as well as working capital. It acts as an effective control device in measuring and comparing the performance of different departments. It also helps departmental managers to find out the problems which adversely affect ROI.

**(b) Ratio Analysis:** Ratio Analysis is a technique of analyzing the financial statements of a business firm by computing different ratios.

The most commonly used ratios have been grouped under following categories:

**(i) Liquidity Ratios:** Liquidity ratios are calculated to know short term financial position of business and its ability to pay short term liabilities. It includes current ratio and quick ratio.

a. Current Ratio =  $\text{Current Assets} / \text{Current Liabilities}$

b. Quick Ratio =  $\text{Cash} + \text{Bills Receivable} / \text{Current Liabilities}$

**(ii) Solvency Ratios:** Solvency ratios are calculated to know long term solvency of the business and its ability to pay its long term debts. It includes debt equity ratio, proprietary ratio, interest coverage ratio etc.



---

a. Debt Equity Ratio= Debt/Equity Share Holders Fund

b. Proprietary Ratio = Shareholders fund/Total Assets

**(iii) Profitability Ratios:** Profitability ratios like gross profit ratio, net profit ratio, operating ratio, etc. help to analyze the profitability position of a business.

a. Gross Profit Ratio =  $\frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$

b. Net Profit Ratio =  $\frac{\text{Net Profit}}{\text{Net Sales}} \times 100$

**(iv) Turnover Ratios:** The various turnover ratios like Inventory turnover ratio, debtors turnover ratio, fixed assets turnover ratio etc. help in knowing whether the resources are effectively used for increasing the efficiency of operations of business or not. Higher turnover indicates better utilization of resources.

a. Inventory Turnover Ratio =  $\frac{\text{Cost of goods sold}}{\text{Average Stock}}$

b. Debtors Turnover Ratio =  $\frac{\text{Net Credit Sales}}{\text{Average Accounts Receivables}}$

**(c) Responsibility Accounting:** Under this system of accounting, various sections, departments or divisions of an organisation are set up as 'Responsibility Centers'. Each centre has a head that is responsible for attaining the target of his centre.

The various responsibility centres' are as follows:

**(i) Cost Centre:** Cost centre, also known as expense centre, refers to a department of an organisation whose manager is held responsible for the cost incurred in the centre but not the revenues. For example, Production department of an organisation may be classified as Cost Centre.

**(ii) Revenue Centre:** A revenue centre refers to a department which is responsible for generating revenues. For example, marketing department.

**(iii) Profit Centre:** A profit centre refers to a department whose manager is responsible for both cost and revenues. For example, Repair and Maintenance department.



---

**(iv) Investment Centre:** An investment centre is responsible for profits as well as investments made in the form of assets. For judging the performance of investment centre, return on investment (ROI) is calculated and compared with similar data for previous years for one's own centre as well as other similar enterprises. It is also compared with current data of competing enterprises.

**(d) Management Audit:** Management Audit is a process of judging the overall performance of the management of an organisation. It aims at reviewing the efficiency and effectiveness of management and improving its future performance. Its basic purpose is to identify the deficiencies in the performance of management functions. It also ensures updating of existing managerial policies.

**Following are the main advantages of management audit:**

(i) It identifies the deficiencies in the performance of management functions. (ii) It helps in improving coordination among the functions of various departments. (iii) It ensures required modification in the existing managerial policies and techniques according to environmental changes and (iv) The continuous monitoring of the performance of management helps in improving control system. There is no proper technique of management audit and also it is not compulsory under any law.

**(e) PERT and CPM: PERT (Programme Evaluation and Review Technique) and CPM (Critical Path Method)** are two important techniques used in both planning and controlling. These techniques are used to compute the total expected time needed to complete a project & it can identify the bottleneck activities that have a critical effect on the project completion date. Such techniques are mainly used in areas like construction projects, aircraft manufacture, ship building etc.

The various steps involved in using these techniques are as follows:

(i) The project is first divided into various activities and then these activities are arranged in a logical sequence.



---

(ii) A network diagram is prepared showing the sequence of activities.

(iii) Time estimates are laid down for each activity.

PERT prepares three time estimates –

- (i) Optimistic (shortest time)
- (ii) Most likely time and
- (iii) Pessimistic (longest time).

In CPM, only one time estimate is prepared. Along with this, CPM also lays down the cost estimates for completing the project.

(iv) The most critical path in the network is the longest path. Longest path consists of those activities which are critical for completing the project on time; hence the name CPM.

(v) If required, necessary changes are made in the plan for completing the project on time.

**(f) Management Information System (MIS):** It is a computer based information system which provides accurate, timely and up-to-date information to the managers for taking various managerial decisions. Thus, it is an important communication tool as well as an important control technique. It provides timely information to the managers so that they can take appropriate corrective measures in case of deviations from standards.

**Advantages of management information system are as follows:**

(a) It provides only relevant information to the managers thus saving them from information overload. (b) It facilitates collection and management of information at different levels and departments of the organisation. (c) It helps in planning, controlling and decision making at all levels of an organisation. (d) It helps in improving the quality of information. (e) It ensures cost effectiveness by providing all important information to the management in time.



---

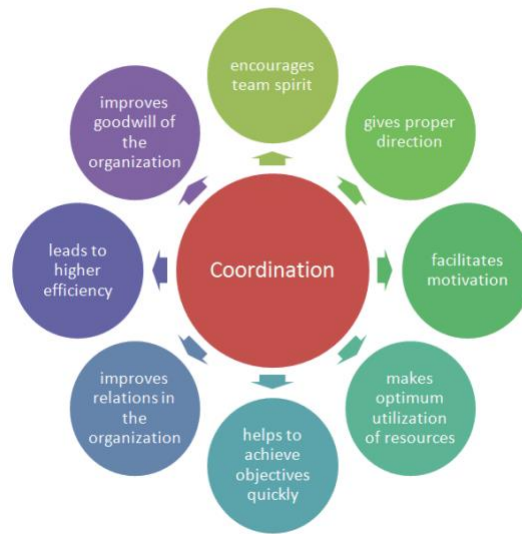
**(ii) Taking Corrective Action:** The final step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits no corrective measure is required.

## UNIT - V

*Co-ordination – Need and Importance – Process – Authority And Responsibility - Concepts – Delegation Of Authority – Centralisation Vs. Decentralisation.*

### COORDINATION

The process by which a manager integrates their activities is known as **coordination**. **Coordination** is an orderly arrangement of group efforts to maintain harmony among individual's efforts towards the accomplishment of common goals of an organisation. It is the force that integrates all functions of the management.



## NEED AND IMPORTANCE OF COORDINATION:

The following reasons bring out the need and importance of coordination:

**(1) Size of the Organisation:** These days, the scale of doing business is increasing day by day. Any increase in the scale of the business also results in an increase in the number of people employed in the organisation, with each person having different interests, way of working, mutual understanding, objective of working, tolerance, etc. However, all these people have to work together as a group despite these differences, which is not a very easy task. Therefore, it is very necessary that through coordination a proper environment is created so that everybody gives his full contribution towards the attainment of organizational goals.

**(2) Functional Differentiation:** There may be a clash of interests among the various departments in an organisation. Such a situation becomes a very big hindrance in the achievement of organizational goals. There is only one way to avoid clashes, and that is by establishing proper coordination between the departments.

**(3) Specialization:** In every organisation, in order to avail the benefits of specialization, one main activity is divided into various sub activities, and each of these is allotted to different persons who are experts in their particular sub activity. Every person wants to do his work in his





---

own way, without having any regard for the ‘total work’ to be performed. In such a situation, in order to complete the activities being performed by various people successfully, it is very necessary to establish coordination among them. It is only upon the establishment of coordination that everyone completes his or her own work in time keeping in view the ‘total work’ to be performed.

**(4) Interdependence of Different Processes:** The next major point which delineates the importance of coordination is that the various units in an organisation are interdependent. The higher the interdependence among the units, the greater is the need for coordination.

### **PROCESS OF COORDINATION:**

According to Louis Allen, co-ordination comprises three steps-

- (1) Balancing
- (2) Timing and
- (3) Integrating.

1. **Balancing:** It implies that something is provided more in order to compensate for some other thing which is less. Thus in a large organisation it involves the provision to staff support to the line personnel and vice versa.

2. **Timing:** It suggests that different parts of an operation are carried on according to such schedules that the beginning of each part synchronizes with the end of the preceding part and its end, in turn with the beginning of the following part.

3. **Integrating:** It is the effective co-ordination of different elements' and diverse interests so that all the units of the organisation and whatever they do ultimately conform to the common goal of the enterprise.

**AUTHORITY:** Authority is the right to do something.

### **CONCEPT OF AUTHORITY:**



---

Since authority is the crux in distribution of authority. It would be necessary to understand what the authority is. Authority is the right to do something. Authority is the power legitimized by organisation which empowers a manager to make decisions, to use organizational resources, and to monitor and regulate the behaviour of subordinates for the efficient performance of assigned work responsibilities. Authority (right do something) is different from power (ability to do something). Authority is positional, but power may not be positional. Authority has the legal power, but power is because of personal influence and resource fullness. Authority always moves downward, but power can move in any direction. Authority can be delegated, but not power. Authority commands fear but power commands respect.

### **CHARACTERISTICS OF AUTHORITY:**

- It is the right given to the managers.
- The right is vested in position and the manger gets it when he occupies the position.
- Authority originates at the top and moves downward.
- Authority can be delegated by a superior to his subordinate.
- Authority creates superior – subordinate relationship.
- Manager exercises authority to influence subordinates' behaviour so as to get the things done.

### **TYPES OF AUTHORITY:**

**1. Line, staff and functional Authorities:** Line authority contributes directly to attain the goals of an organisation. Staff authority does not form part of the chain of command and is advisory in nature. Functional authority is the right to give orders within specific task areas and is operational only for designated amount of time.

**2. Shared Authority and wholesome Authority:** When authority is delegated to two or more persons to solve a common problem, it is called shared authority. Wholesome authority means giving authority to one person only to solve the problem.



---

**3. General and specific Authority:** When the authority to perform all the functions in this department or division subject to overall guidance and control of the superior (like chief Marketing officer in the Marketing department), it is known as general authority. Under a specific authority, a person is given authority regarding specific function or functions. Specific delegation is functional in nature and is precise.

**4. Formal and informal:** When the authority is delegated according to organisation structure, it is known as formal delegation. A salesman being granted authority to give cash discount of 5% on sales by the sales manager is formal authority. Informal authority is given to short circuit the formal procedure to perform the task quickly.

**5. Charismatic Authority and Positional Authority:** When the rights and power come through the charm and influence of one's personality (like Mahatma Gandhi and Napoleon) it is known as charismatic authority. When the authority is acquired because one is appointed as a manager, it is positional authority.

**6. Written and oral Authority:** When the authority is granted in writing it may be called legal or written authority. Oral authority is known as traditional authority guided by traditions and customs.

**7. Downward and sideward Authority:** When authority is granted to immediate subordinate it is referred to as downward delegation. If the authority is given to another official of the same rank, it is known as sideward authority or delegation of authority.

## **DELEGATION OF AUTHORITY**

**CONCEPT OF DELEGATION OF AUTHORITY:** In practice the term delegation is in use for different activities. It is a programming technique, a TV quiz show (in Ireland), a term in contract law (giving another person responsibility to carry out the performance agreed to in a



contract), a name of a British funk musical band, and a second level administrative subdivision of a country (Delegation of Tunisia).

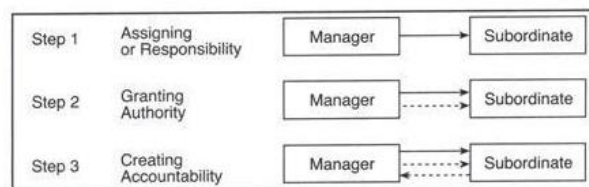
### **DEFINITION OF DELEGATION OF AUTHORITY:**

“Delegation is the process by which a manager assigns or entrusts a part of his/her workload to his/her subordinates”.

### **PROCESS / ELEMENTS / STEPS OF DELEGATION OF AUTHORITY:**

Involves three steps apart from sizing-up of workload by the manager to decide what is to be assigned to subordinates.

- First, the manager assigns the responsibility or work to subordinate to do.
- Second, to complete this assignment he grants necessary authority (like to spend money to get information from confidential files, to use company’s resources, to liaise with outsiders, to direct others, etc).
- Finally, accountability of the subordinate is created towards the manager. Accountability is an obligation of subordinate to a manager for the use of authority and performance of assigned work.



### **CHARACTERISTICS OF DELEGATION OF AUTHORITY:**

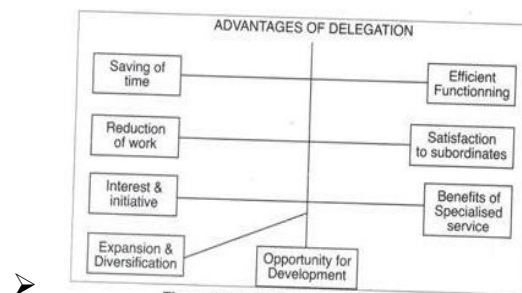
- It involves transfer not surrendering of authority.
- It is a process of sharing work, granting authority and creating accountability.



- Delegation takes place at all the levels, where superior – subordinate relationship exists.
- Delegation is possible only when the delegator has the authority.
- No delegate is permitted to delegate the granted authority' further.
- A manger never gets total authority delegated; otherwise he won't be a manger any more.
- Delegation is not abdication, ultimately the responsibility for proper discharge of authority and completion of task remains of the manager or delegator.
- Authority once delegated can be withdrawn or revoked by the delegator.

### NEED / IMPORTANCE / REASONS OF DELEGATION OF AUTHORITY:

1. **Higher Efficiency:** A superior being able to concentrate on non-routine jobs (delegated to subordinates) multiplies his/her efficiency.
2. **Motivation:** Delegation indicates confidence of manager, the subordinate feels self-importance, recognition, etc. he feels motivated.
3. **Develops subordinates:** Making decisions and solving problems enables them to develop their managerial skills.
4. **Better Distribution of work in the Group:** Every employee gets adequate authority to act, it also leads to prompt decision making.
5. **Foundation of Decentralization:** The delegation may be made permanent, only if it works well temporarily, in the organisation chart.



### PROBLEMS IN EFFECTIVE DELEGATION OF AUTHORITY:

1. **Problems with Superiors:** The superiors may be reluctant to delegate because of:

*II – BBA – PoM – SMBA31 - Handled By Ms. K. Meena, MBA, M.Phil, PGDCA, (Ph.D)., UGC – NET – MGT., Assistant Professor(Temporary), DoBA, GASC(W), Sathankulam - 628704*



- 
- (i) Being disorganized cannot plan what to delegate;
  - (ii) I can do it better myself;
  - (iii) No trust and confidence in subordinate's ability; and
  - (iv) Threat to his position, if subordinate does it better than him.

**2. Problems with the Subordinates:** Subordinates do not accept responsibility because of:

- i. Love of spoon feeding
- ii. Habit of over dependence on the superior (asking a boss all the time);
- iii. Fear of failure and consequent reprimand or criticism;
- iv. Absence of reward for accepting additional responsibility;
- v. Being already overburdened with his own work; and
- vi. Lack of commensurate authority required.

**3. Problems with the organisation:** Organisations also impede the delegation of authority because

- (i) There is no precedent of delegation so far;
- (ii) Management believes in a centralised organisation philosophy; and
- (iii) The size of business is very small

## **HOW TO MAKE DELEGATION OF AUTHORITY EFFECTIVE?**

- (i) Identify the person suitable for the job (being capable for creating mutual trust and confidence)
- (ii) Explain the job and the objectives clearly (Principle of functional definition and principle to limits of authority)
- (iii) Leave space for experimentation and creativity (Principle of individual initiative)
- (iv) Grant the necessary authority (Principle of delegation to be consistent with results expected and principle of parity of authority and responsibility)
- (v) Keep in touch with the delegate for support and monitoring progress (Communication, training and control)



- 
- (vi) Acknowledge a job done well (Principle of reward – Promote the person doing job better than you)
  - (vii) Instill the confidence among subordinates (Those who do, only commit mistakes).

### **CENTRALIZATION AND DECENTRALIZATION OF AUTHORITY:**

While delegation is concerned with one to one relationship, the pattern of authority across the different positions and departments is related to centralization – decentralization procures. It should be very clear that centralization of activities and centralization of authority are two different concepts. Also important to note is that on the delegation continuum centralization and decentralizations are the two ends.

There is no question of absoluteness of any of the two. If there is 100% centralization, then it must be only one-man organisation and it is beyond our study ; and if there is total decentralization, it would be anarchy and again beyond the realm of our study. The conclusion is that the two go together and are relative.

### **CONCEPT OF CENTRALISATION:**

Centralization means a conscious and systematic process of retention of authority in the hands of top-level managers.

### **ADVANTAGES CENTRALIZATION:**

- Facilitates coordination as all the decisions are taken at one central point.
- There is no duplication of efforts and resources and centralization helps in maintaining confidentiality.
- Decisions are consistent, because they are made by same set of people each line.
- Top management while deciding, keeps the balance among functions and departments.

### **DISADVANTAGES OF CENTRALISATION:**

*II – BBA – PoM – SMBA31 - Handled By Ms. K. Meena, MBA, M.Phil, PGDCA, (Ph.D), UGC – NET – MGT., Assistant Professor(Temporary), DoBA, GASC(W), Sathankulam - 628704*



- 
- Decreases efficiency as top management is generally removed from the facts and realities of the actual situations.
  - Middle and lower level managers feel frustrated and hesitant to take any initiative.
  - Concentration of authority is always fraught with misuse of authority for personal gains.
  - In case of death, leaving the organisation, organizational growth is hampered as there is no immediate replacement.

### **CONCEPT OF DECENTRALISATION:**

Decentralization is a conscious process of systematic distribution of authority by the top management down the line to create operative levels and to make them autonomous in their functioning. In a highly decentralized organisation, the top management restricts itself to major decisions in areas like policy making, coordination and control. The lower level managers have enough decision making authority and support to introduce innovativeness in their work.

### **CHARACTERISTICS OF DECENTRALIZATION OF AUTHORITY:**

1. Decentralization is both a philosophy of management (to prepare inside people for future positions) and a technique of organizing (creating number of centres of initiative).
2. Decentralization of authority is different from dispersal of activities (dispersal of activities in different geographies is a strategic decision; decentralization is concerned with distribution of authority, not the activities).
3. Decentralization is extension of Delegation: There may be delegation without decentralization, but no decentralization is possible without delegation.
4. Degree of decentralization can be measured through number of decisions, more important decisions, the scope of decisions, and lesser the controls on lower-level managers. The decision making would be situated nearer to the point of execution.





---

5. Decentralization is just opposite to centralization but centralization and decentralization are mutually dependent in a large organisation.

**NEED / ADVANTAGES / IMPORTANCE / OF DECENTRALIZATION:**

- Improves decision making at the top level to low level.
- Development of managerial personnel through exposure which provides the opportunity to grow.
- Increases motivation and morale which is reflected in performance.
- Quicker and better decisions, since decisions are not to be refreshed.
- Creates healthy competition between different autonomous operative levels.

**PROBLEMS / DRAWBACKS / LIMITATIONS OF DECENTRALIZATION:**

- Problem of coordination because of independent work units.
- Increased operating cost due to duplication of management functions in each unit.
- Increases motivation and morale which is reflected in performance.
- Quicker and better decisions, since decisions are not to be refreshed.
- Creates healthy competition between different autonomous operative levels.

**Problems / Drawbacks / Limitations of Decentralization:**

- Problem of coordination because of independent work units.
- Increased operating cost due to duplication of management functions in each unit.
- It may lead to inconsistencies as uniform policies may not be followed for same type of work in different divisions.
- Introduction in small concerns may not be practicable.
- During a crisis decentralization creates its own problems.
- Managers, having worked in centralised systems, find uncomfortable to work in a more decentralized form.



## CENTRALIZATION VS DECENTRALIZATION:

Different factors / situations lead toward more of the two as given in Table.

Basis	More Centralization	More Decentralization
Capability and Experience	Lower level managers not capable as top level managers	Lower level managers capable & experienced to take decisions
Voice in Decisions	Lower management does not want to take decisions	Lower level management wants a voice in decisions
Importance of Decisions	Significant like investment and strategies.	Relatively minor decisions
Crisis	Suitable for facing crisis or risk	Corporate culture is open
Geographic Dispersion	Not visible	Yes, freedom is allowed to local units
Size and complexity of organisation	Smaller the size more the centralization	Larger the size greater the degree of decentralization
Management Attitude	Conservative	Progressive
Environment	It is less volatile	Is complex and uncertain

**Sub Code: SMBA31**

**Government Arts and Science College (Women), Sathankulam – 628 704.**

### DEPARTMENT OF BUSINESS ADMINISTRATION

#### Model Question

#### PRINCIPLES OF MANAGEMENT

**Time: 3 hours**

**II - B.B.A.**

**Maximum: 75 marks**

#### **PART – A (10 x 1 = 10 marks)**

1. POSDCORD denote
  - a) the functions of management
  - b) the approaches of management
  - c) the importance of management
  - d) the characteristics of management

*II – BBA – PoM – SMBA31 - Handled By Ms. K. Meena, MBA, M.Phil, PGDCA, (Ph.D.), UGC – NET – MGT., Assistant Professor(Temporary), DoBA, GASC(W), Sathankulam - 628704*



2. Who is the father of scientific management?
  - a) F.W.Taylor
  - b) Mary Parker Follett
  - c) Elton Mayo
  - d) Peter Drucker
3. A \_\_\_\_\_ is an anticipated financial statement of revenue and expenses.
  - a) Budget
  - b) Objective
  - c) Strategy
  - d) Policy
4. It provides unified criteria for managers in their function of decision making:
  - a) Rule
  - b) Objective
  - c) Strategy
  - d) Policy
5. A mere prediction of what is likely to happen in future is \_\_\_\_\_.
  - a) Forecasting
  - b) Planning
  - c) Organizing
  - d) Controlling
6. Diagrammatic representation of organization structure is known as \_\_\_\_\_.
  - a) Organizational chart
  - b) Pie chart
  - c) Venn diagram
  - d) Bar chart
7. It is the most important feature of effective communication system.
  - a) Feedback
  - b) Directing
  - c) Leading
  - d) Controlling
8. Process of inducing the employees to perform well refers to \_\_\_\_\_.
  - a) Motivation
  - b) delegation
  - c) supervision
  - d) communication
9. Controlling is \_\_\_\_\_ process.
  - a) Continuous
  - b) Decision - making
  - c) Co - ordination
  - d) Delegation
10. Which one of these can be delegated?
  - a) Power
  - b) Authority
  - c) Responsibility
  - d) Accountability

**PART – B (5 x 5 = 25)**

Answer ALL Questions:

11. a) Define & explain the major functions of Management. Or  
b) Distinguish between “management” and “administration”.
12. a) Explain the importance of planning. Or  
b) Distinguish between forecasting and planning.
13. a) Define and explain the important steps in the process of organisation. Or  
b) Define and explain the theories of span of management?
14. a) Define and explain the techniques of direction Or  
b) Write a short note on PERT and CPM
15. a) Describe the various types of co-ordination. Or  
c) Write a note on delegation.

**PART – C (5 x 8 = 40)**



---

Answer ALL Questions:

16. a) Define and explain the features of management. Or  
b) Explain the principles of management in detail.
17. a) Define and explain the techniques of forecasting in detail. Or  
b) Define and explain the steps involved in the process of decision-making.
18. a) Discuss the forms of organization in detail. Or  
b) Explain the types of departmentation in detail.
19. a) Define and explain the principles of effective directing. Or  
b) Define controlling. And also explain the steps involved in control process.
20. a) Explain the techniques of effective co-ordination. Or  
b) What is delegation? Point out the factors that affect delegation of authority.

\*\*\*\*\*

*Subject Handled By*

**Miss. K. MEENA, MBA, M.Phil, PGDCA, (Ph.D),**

**UGC – NET – MGT QUALIFIED**

**Assistant Professor (Temporary)**

**Department of Business Administration**

**Government Arts and Science College (Women), Sathankulam – 628 704**

**Thoothukudi District**