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FUNDAMENTALS OF MANAGEMENT*Notes*

Let us take the example of a housewife. She is the person who manages all the household work. She decides upon a number of things like – how to decorate the house in terms of furniture, curtains, bed sheets, sofa covers, crockery, cooking utensils etc.; what type of food is to be served to family members, what shall be the timing of breakfast, lunch, dinner, etc.; and then arranges the requisite materials to prepare the food, hires a maid/servant to assist household work on a part time or full time basis and looks after many other such work. She not only decides all these but ensures that all this work is carried out properly. For this purpose she does some work herself and may distribute certain work among the family members so that work is carried on smoothly. For example, she may assign the task of dropping the children to the school to her husband, the task of clearing the bed to the eldest child, the task of cleaning utensils to the part time maid and so on. Every housewife does all this work in her own way depending upon her understanding, interest and commitment and so also the resources available.

Similarly, take the case of a school teacher who is given the task of taking school children on a picnic. The teacher also decides upon a number of things like – where to go, when to go, how many students and other teacher shall go, how much money is required where to get such money, by what time students must come back, how to collect them from home and drop them and so on. Then he also assigns duties to other persons assisting him in the exercise. For example, he may assign the task to other for arranging a bus for conveyance, collecting money from students, make a group of students to arrange for food and its distribution, and so on. Again, every school teacher if assigned a similar exercise may handle it in his own way depending upon the capability and interest of the teacher as well as a number of other factors.

Let us take another example. There may be many grocery shops in your locality. Consider any two such shops owned by individuals as sole-proprietors. Both of them do a number of activities like procuring goods from manufacturers / wholesalers and selling

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them to consumers, maintaining records of transactions, paying taxes, supervising the staff, and making efforts to improve sales, etc. However, how they handle all these jobs depends upon their capabilities and factors like the location of their store, the assistants they have and so on.

On analysing the above examples we find one thing common among the housewife, the school teacher as well as the grocery owner i.e., they are all involved in managing an important activity namely the household, the school picnic and the business respectively. Thus, we find management everywhere, every housewife manages her household work, every professional manages his tasks and every businessman manages his business. In this lesson we shall learn about the concept of management in the context of managing a business, and its characteristics, nature, importance, functions and the general principles guiding managerial actions in the management process.

**OBJECTIVES**

After studying this lesson, you will be able to:

- explain the concept of management;
- state the objectives of management;
- identify the characteristics of management;
- explain the importance of management;
- describe management as an activity, as a process, as a profession and as a discipline;
- identify the various levels of management;
- describe the functions of management and
- explain the principles of management.

10.1 MEANING AND OBJECTIVES OF MANAGEMENT**10.1.1 Meaning of Management**

Consider a business enterprise, it may be an industry or it may be a trading concern. In both the cases, to start and run the business some amount of money is needed, some materials, few machines and some men are required, and some processes are involved. All these are considered the inputs for a business that result in output in terms of products or services. However, with same amount of money, raw materials, machines and men, and following the same processes, the output may not be same in all cases. For example, with same amount of money, men, machines and materials, if you and Ramesh start a similar business independently, the result may not be the same for both of you. You may

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do well whereas Ramesh may not. But this is because the inputs do not become output by themselves. Various activities are required and these need to be properly directed, coordinated and integrated so that the inputs produce good results. This process of using various resources (inputs) to produce some results (outputs) is known as management, and the degree of success varies according to the efficiency with which the resources are managed. Thus, management refers to the process of using men, money, machines, material and processes through proper direction, coordination and integration of several activities so as to produce desired results and attain predetermined goals. In other words, management consists of a series of activities classified into various functions like planning, organising, staffing, directing and controlling.

10.1.2 Objectives of Management

Management helps in efficient and effective use of available resources of an organisation. Objectives are the end results, towards which all managerial efforts and organisational activities are directed. Objectives of management include –

1. **Optimum Utilisation of Resources :** Management should try to secure maximum outlay with minimum efforts and resources by utilising the human and material resources available in an organisation for deriving the best results.
2. **Increase in Productivity of All Factors of Production :** Management should minimise the wastage of time, money and efforts through proper utilisation of various factors of production like capital and labour. This will lead to increase in efficiency of all factors of production. It should also try to set higher standards of productions every year and should strive higher to reach these targets.
3. **Fair Return on Capital :** Management has to provide a fair return to the owners on the capital invested by them. Management must maintain the investment and should also attract further investments for growth and expansion.
4. **Create Goodwill :** Management should aim at building the reputation of the firm through various activities like popularising products by advertising, reasonable price, good quality products etc. Business environment is dynamic and is influenced by a number of factors.
5. **Meet Challenges of the Changing Environment :** Enterprises which are unable to adopt itself to the changing situations, will not be able to survive. Management should frame steps to meet the challenges of the changing environment. Thus, management can help an organisation for its survival and growth.

10.2 CHARACTERISTICS OF MANAGEMENT

The various characteristics of management are:

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- (a) **Management is Universal :** It means that management is required for every type of organisation. It may be a business organisation or social or political. It may be a small firm or a large one. Management is required by a school or a college or university or a hospital or a big firm like Reliance Industries Limited or a small variety store in your locality. Thus, it is a universal phenomenon and is common and essential element in all organisations.
- (b) **Management is Goal Directed :** Every organisation is created to achieve certain goals. For example, for a business firm it may be to make maximum profit and/or to provide quality products and services. Management of an organisation is always aimed at achievement of the organisational goals. Success of management is determined by the extent to which these goals are achieved.
- (c) **Management is a Continuous Process :** Management is an ongoing process. It continues as long as the organisation exists. No activity can take place without management. To perform all activities like production, sale, storage, operation etc. management is required. So, as long as these activities continue the process of management also continues to operate.
- (d) **Management is an Integrating Process :** All the functions, activities, processes and operations are intermixed among themselves. It is the task of management to bring them together and proceed in a coordinated manner to achieve desired result. In fact, without integration of men, machine and material and coordination of individual efforts to contribute successfully as a team, it will be difficult to achieve organisational goals.
- (e) **Management is Intangible :** Management is not a place like a graphic showing Board meeting or a graphic showing a school Principal at her office desk which can be seen. It is an unseen force and you can feel its presence in the form of rules, regulation, output, work climate, etc.
- (f) **Management is Multi-disciplinary :** Management of an organisation requires wide knowledge about various disciplines as it covers handling of man, machine, material and looking after production, distribution, accounting and many other functions. Thus, we find the principles and techniques of management are mostly drawn from almost all fields of study like – Engineering, Economics, Sociology, Psychology, Anthropology, Mathematics, Statistics etc.
- (g) **Management is a Social Process :** The most important aspect of management is handling people organised in work groups. This involves developing and motivating people at work and taking care of their satisfaction as social beings. All managerial actions are primarily concerned with relations between people and so it is treated as a social process.

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- (h) **Management is Situational :** The success of management depends on, and varies from, situation to situation. There is no best way of managing. The techniques and principles of management are relative, and do not hold good for all situations to come.

10.3 IMPORTANCE OF MANAGEMENT

The existence and success of any organisation largely depends on the kind of management it has. No amount of quality resources is going to help unless they are put to productive use by efficient management. It is because of this reason that management is studied as a subject in almost every discipline of study. In today's scenario with globalisation, job specialisation, changing technologies, new responsibilities of business, consumerism, competition and emphasis on research and development, the role of management has grown multifold. Its importance is reflected in the positive result that the organisation can get in respect of the following.

- (a) **Attainment of Goals :** Every organisation has a goal to achieve and each employee in the organisation also has his own goals that he wants to achieve. Even at operational level each department, each unit or even each group has a goal that it wants to achieve. It is only through proper management – by well thought of planning, good direction and proper coordination and control that effectiveness to the efforts of each group to achieve given goals can be ensured.
- (b) **Stability and Growth :** Management strives to utilise the available resources of the organisation effectively and efficiently. It controls the activities and operations, integrates the functions, motivates the employees, maintains the health of the organisation in the ever changing environment. It thus, ensures stability to the working of the organisation and contributes to its growth.
- (c) **Change and Development :** Management keeps itself in touch with the changes in the environment and foresees development in the future. Accordingly, plans are made to keep the organisation ready to meet the challenges. The technologies, operations, process as human factors are developed on a continuous basis keeping an eye on the future.
- (d) **Efficiency and Effectiveness :** By proper planning, staffing, organising, coordinating, directing, and its controlling activities, the management helps in achieving efficiency and effectiveness to human efforts and operations.



INTEXT QUESTIONS 10.1

1. Define the term 'Management' in your own words.

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2. Complete the following incomplete words by taking clues from the statements given for each. Every blank represents one letter only. First one has been done for you.
- Management is U ___ V ___ S ___ L (UNIVERSAL)
 - Management is ___ N ___ G I ___ E
 - Management is S ___ I ___ L process
 - Management is S ___ U ___ O ___ A L
 - Management is a ___ O ___ T I ___ O ___ S process

Clues:

- It is required for every type of organisation.
 - It is an unseen force.
 - It deals with people organised in groups.
 - There is no best way of managing, so it varies.
 - It is an ongoing process.
3. List any three objectives of management.

10.4 NATURE OF MANAGEMENT

The nature of management can be better appreciated by looking at it

- Management as a Process :** Management consists of a series of inter-related activities of planning, organising and controlling. All activities are undertaken in a proper sequence with a systematic approach so as to ensure that all actions are directed towards achievement of common goals. Thus, it is regarded as a process of organising and employing resources to accomplish the predetermined objectives.
- Management as a Discipline :** Management is a systematised body of knowledge that has developed, grown and evolved over the years through practice and research. The knowledge so cumulated is disseminated to successive generations of managers and used by them in performing their jobs. Thus, it has become a separate field of study with its own principles and practices and thus, evolved as an independent discipline with its own techniques and approaches.
- Management as a Group :** Management normally refers to a group of managers working in an organisation. It includes the top executive as well as the first line supervisors. These managers perform their functions jointly as a group. The success of business does not depend on the efficiency of one, but of all managers taken

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together. Managers work as a team so that objectives of the business are fully achieved. However, in every organisation there are certain levels of management with varying degree of the nature of authority and responsibilities. You will learn about these later in this lesson.

(d) Management as a Science as well as an Art : Management is regarded as a science as well as an art. Science refers to a systematic body of knowledge with reference to understanding of some phenomenon or subject or object of study. It establishes a cause and effect relationship between variables. It is based on systematic explanation, experimental analysis, critical evaluation and logical consistency. In science we learn the ‘why’ of a phenomenon. For example, two molecules/atoms of hydrogen and one molecule/atom of oxygen makes water (H₂O). Similarly we can say earth moves around the sun. Any subject of study is called a science should have the following characteristics:

- (i) There must be a systematised body of knowledge that includes concepts, people and theories.
- (ii) We should be able to establish a cause and effect relationship.
- (iii) Its principles should be verifiable.
- (iv) It should ensure predictable results.
- (v) It should have universal application.

Management as a subject of study fulfils almost all the above characteristics. Theories and techniques like scientific management, PERT and CPM, break even analysis, budgeting etc. are all scientific in nature. However, since it deals with human beings, we cannot predict a definite cause - effect relationship. Hence management is not treated as a pure or full-fledged science.

As for the art, you know that it refers to bringing about the desired result through application of skill. It is a personalised process and states that there is no best way of doing a thing. Thus, it is creative and it improves by practice. In art we learn about the ‘how’ of a phenomenon. For example, take the case of painting. There is nothing called the best way of painting. More one paints, the more he improves and learns how to paint. Now look at management. Here also we apply a lot of skill (like technical, conceptual, human etc.) and it is also creative in nature. Nobody can say that this is the best way of managing. It varies from one manager to another. The more one manages, the more experienced and expert he becomes.

Thus, management is a combination of both science and art.

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- (e) **Management as Profession :** In the first lesson you had learnt that profession is an occupation. To be precise, any occupation that satisfies the following requirements is called a profession.
- (i) It must be an organised and systematised body of knowledge. Take for example professions like engineering or chartered accountancy. These require a specialised knowledge.
 - (ii) There is always a formal method of acquisition of such knowledge. In other words, individuals, to pursue a specific profession, must acquire the specialised knowledge through some formal institutions. For example, you need to get a degree in law or engineering to pursue the profession of a lawyer or engineer.
 - (iii) There exists an association to devise certain code of conduct for the professionals. This code of conduct lays down norms to be observed by the professionals while doing their job. Violation of the prescribed code can lead to derecognising the professional to practise.
 - (iv) A profession is no doubt an occupation to earn one's livelihood but the financial reward is not the main measure of their success. The professional use their specialised knowledge to serve the long-run interests of the society and are also conscious of their social responsibility.

Though management may not meet all the requirements of a profession in strict sense of the term, but it meets most of the above requirements and is, now a days, regarded a full-fledged profession. A number of institutions have come up to teach management in a formal way and train future managers. Various associations like American Management Association in USA, All India Management Association in India have been functioning as representative bodies of managers and have duly devised codes of conduct for managers. Many more organisations have come up in the specialised fields of management.

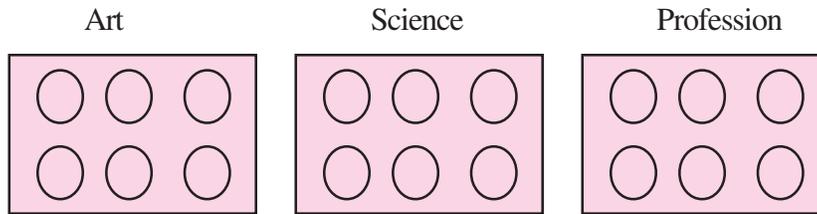


INTEXT QUESTIONS 10.2

1. The following statements make the management an art, science or profession. Identify each statement and put their numbers in the box given below.
 - (a) There is a systematised body of knowledge that includes concepts, theories and people.
 - (b) It is creative in nature
 - (c) It should have universal application.

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- (d) There is no best way of managing.
- (e) There is always a formal method of acquisition of knowledge.



2. Match the expression given in Column-I with these given in Column-II.

Column - I

- (a) Management as a discipline
- (b) Management as a process
- (c) Management as a group
- (d) Management as a profession

Column - II

- (i) Team of managers
- (ii) Code of conduct for professionals
- (iii) Developed and grown through practice and research
- (iv) Series of inter-related activities

10.5 LEVELS OF MANAGEMENT

As stated earlier, there are certain levels of management with varying degree of authority and responsibilities. Some managers decide about the objectives of the business as a whole; some managers perform functions to achieve these objectives in different departments, like production, sales, etc, and some of the managers are concerned with the supervision of day-to-day activities of workers. Managers performing different types of duties may, thus, be divided into three categories:

- Top-Level Management
- Middle-Level Management
- Lower-Level Management

The diagram shows that the top level management includes Board of Directors and the Chief Executive. The chief executive may have the designation of Chairman, Managing Director, President, Executive Director or General Manager. This level determines the objectives of the business as a whole and lays down policies to achieve these objectives (making of policy means providing guidelines for actions and decision). The top management also exercises an overall control over the organisation.

The following diagram will give you an idea about the functions, positions and relations of different levels of management.

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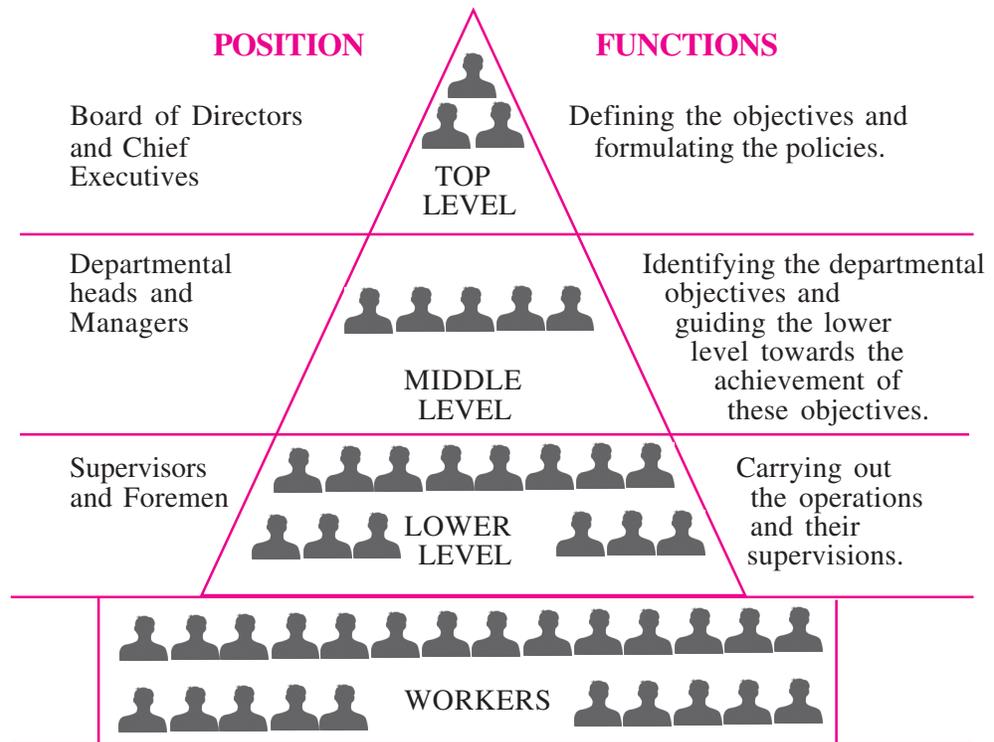
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The middle-level management includes heads of various departments, e.g., production, sales, etc., and other departmental managers. Sometimes senior departmental heads are included in the top management team. The objectives of the business as a whole are translated into departmental objectives for the middle level management. The heads of the departments then work out their own strategies so as to achieve these objectives. Middle-level managers are particularly concerned with the activities of their respective departments.

The lower-level management consists of foremen and supervisors who look after the operative workers, and ensure that the work is carried out properly and on time. Thus, they have the primary responsibility for the actual production of goods and services in the organisation.

These three levels of management taken together form the 'hierarchy of management'. It indicates the ranks and positions of managers in the hierarchy. It shows that the middle-level management is subordinate to the top-level and that the lower-level is subordinate to the middle-level management.

Carefully see the figure shown above once again. You will see that the number of people at each level increases as one moves from top to bottom. Workers including crafts persons, manual labourers, engineers, scientists, etc. form the bulk of the organisation membership. Within the managerial ranks, the number of managers at each level decreases as one moves from lower-level to top-level management. At the top of the organisation, there is usually one person.

10.6 FUNCTIONS OF MANAGEMENT

In every organisation, the managers perform certain basic functions. These are broadly divided into six categories viz., planning, organising, staffing, directing, coordinating and controlling. These are discussed basically hereunder. You will learn about all these functions in detail in the lessons to follow.

- (a) **Planning :** Planning is deciding in advance what is to be done, when it is to be done, how it is to be done. It is basically concerned with the selection of goals to be achieved and determining the effective course of action from among the various alternatives. This involves forecasting, establishing targets, developing the policies and programming and scheduling the action, procedure, etc., Thus, planning requires decisions to be made on what should be done, how it should be done, who will do it, where it will be done, and why it is to be done. The essential part of planning consists of setting goals and programmes of activities.
- (b) **Organising :** After the plans have been drawn, management has to organise the activities, and physical resources of the firm to carry out the selected programmes successfully. It also involves determining the authority and responsibility relationships among functions, departments and personnel at various levels to ensure smooth and effective function together in accomplishing the objective. Thus, the organising function of management is primarily concerned with identifying the tasks involved and grouping them into units and departments, and defining the duties and responsibilities of people in different positions within each department for well coordinated and cooperative effort in the organisation.
- (c) **Staffing :** Staffing is concerned with employing people for the various activities to be performed. The objective of staffing is to ensure that suitable people have been appointed for different positions. It includes the functions of recruitment, training and development, placement and remuneration, and performance appraisal of the employees.
- (d) **Directing :** The directing function of management includes guiding the subordinates, supervising their performance, communicating effectively and motivating them. A manager should be a good leader. He should be able to command and issue instruction without arousing any resentment among the subordinates. He should keep a watch on the performance of his subordinates and help them out whenever they come across any difficulty. The communication system, i.e., exchange of information should take place regularly for building common understanding and clarity. The managers should also understand the needs of subordinates and inspire them to do their best and encourage initiative and creativity.

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- (e) **Controlling** : This function of management consists of the steps taken to ensure that the performance of work is in accordance with the plans. It involves establishing performance standards and measuring the actual performance with the standards set. If differences are noticed, corrective steps are taken which may include revision of standards, regulate operations, remove deficiencies and improve performance.

Co-ordination : Characteristics and Importance

Management has to ensure that all the activities contribute to the achievement of the objectives of the business as a whole. This requires integration of activities and synchronisation of efforts. The heads of different departments should not treat each other as competitors but should work as organs of one body. As the proper functioning of every organ of a human body is important for a healthy body, the work of every department is important for the organisation as a whole. Managers should, therefore, see that everybody in the organisation understands its objectives and works in co-operation with others to achieve these objectives. This function of management is called co-ordination. It consists of harmonising group effort so as to achieve common objectives.

Characteristics of Co-ordination

1. **Co-ordination is the essence of Management** : Management objectives can be achieved only if there is unity of action among employees. This is possible if the organisation functions with proper harmony. If the activities of an enterprise are not integrated, there is lack of co-ordination. Lack of co-ordination may lead to duplication of work, over lapping of work, conflicts etc.
2. **Co-ordination is Needed at All Levels of Management** : The activities of various departments, units and various individuals in an organisation are inter dependent in nature. So co-ordination is needed at all the levels of management. For example the activities of purchase, production and marketing are inter related.
3. **Co-ordination is a Continuous Activity** : Co-ordination is required in every managerial and operative functions of the business. Activities like purchase, production, finance and marketing are inter related and have to be co-ordinated. So it is a continuous process.
4. **Co-ordination is a Conscious Action** : In order to unite, integrate and harmonize the different activities in an enterprise, co-ordination is an intentional effort of the management.
5. **Co-ordination Attempts to Achieve Objectives** : Individual goals are integrated with organisational goals through levels for common purpose. It adjusts and reconciles individual efforts at all the levels of management. Co-ordination brings efficiency in operations by achieving the objectives of an enterprise.

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Importance of Co-ordination

The meaning and characteristics of coordination indicate that it is of great importance. Without proper co-ordination human efforts may get jeopardized and objectives may not be effectively achieved. The importance of coordination can be explained with the help of the following points:

1. Co-ordinations helps in maintaining harmony among workers in an organisation.
2. Co-ordination prevents over lapping of work and conflict among workers so as to achieve unity of action.
3. In large organisations, various departments and units are located at different places, close interaction among people will be very difficult. So a conscious effort of management is needed to co-ordinate the activities of such organisations. Co-ordinate the activities of such organisations. Co-ordination attempts of achieve cordial human relations.
4. Co-ordination helps to achieve ultimate objective of the organisation by establishing direct contact between management and employees.
5. Co-ordination helps in reducing time and cost of operations.
6. It increases efficiency and moral of the employees.

Co-ordination

Co-ordination is the orderly arrangement of group efforts to provide unity of action for the attainment of a common purpose. Co-ordination synchronises the activities of an organisation. It is the essence of management and is not a separate function of management. It is performed while performing all other functions of management.



INTEXT QUESTIONS 10.3

1. The following table contains the function, position and different levels of management. Pick one from each column and make a meaningful combination.

<i>Levels of Management</i>	<i>Position</i>	<i>Functions</i>
(A) Top	(a) Departmental heads and managers	(i) Identifying the departmental objectives and guiding lower level towards achievement of objectives.
(B) Middle	(b) Board of Directors and Chief Executives	(ii) Carrying out the operations and their supervisions.
(C) Lower	(c) Supervisors and Foremen	(iii) Defining the objectives and formulating the policies.

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2. Given one word substitution of the following.
 - (a) Deciding in advance about the future course of action.
 - (b) Guiding and supervising the subordinates towards the work.
 - (c) It confirms that plans are properly carried out.
 - (d) It brings harmony in group.
 - (e) It ensures that right type of persons are in the right position.
3. Multiple Choice Questions
 - i. Co-ordination is

a) an objective of an organisation	b) goal of an organisation
c) the essence of management	d) none of the above
 - ii. _____ force binds all other functions in management.
 - iii. The process by which a manager synchronises the activity of different departments is _____

a) planning	b) organising
c) staffing	d) co-ordination

10.7 PRINCIPLES OF MANAGEMENT

Principles are the basic truths generally stated in the form of cause effect relationship. Management principles are the broad guidelines for the managers for decision making.

Concept

Principles of management are derived on the basis of observation and experimentation studies. Principles of management establishes cause and effect relationship and serve as a guide to thought and action. For example, according to the principle of division of work, specialization is the result of division of work. The cause (dividing the work) and effect (specialisation) can be clearly located.

Management principles are statements of fundamental truth, which provide guidelines for managerial decisions.

Nature of Principles of Management

1. **Universal :** The management principles are applicable to all types of organisations like government enterprises, educational institutions, business enterprises etc.
2. **Flexible :** Management principles are modified and applied according to the changing situations. For example, when an organisation started its functioning, it may have adopted principle of centralisation. When the organisation became a large enterprise, it will apply principle of decentralization.

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3. **Aimed to Influence Human Behaviour :** Human behaviour is complex and unpredictable. Management principles influence human behaviour so that human resources give their best to an organisation. For example, principle of order is followed, so that wasteful movement of workers can be avoided.
4. **Cause and effect relationship :** Management principles indicate clearly the cause of various actions and consequences of various decisions. For example, according to the principle of discipline, smooth running of business is the result of discipline.

Significance of Principles of Management

Management principles have considerable importance in all group efforts. Following are the points of importance of management principles.

1. **Act as a Guide for Research in Management :** The principles so far developed can be tested in new situations and management practices can be made more effective. For example, in earlier days workers were motivated by their remuneration. But now a days family health, education of the children etc. should be considered by the organisation in order to motivate and retain the workers.
2. **Improve Understanding :** The knowledge of principles of management help the managers to manage an enterprise properly. The principles of management help the managers for taking correct decisions. Managers can handle situations smoothly.
3. **Identify the Areas for Training of Managers :** The principles of management help in identifying the areas where the managers should be trained.
4. **Act as Reference for Managers :** Principles act as reference for the managers and help to evaluate whether the decision taken by him are appropriate and accurate.
5. **Increases efficiency :** Principles are guidelines for managers for taking accurate decisions. Principles help the manager for solving problems of an enterprise.

10.7.1 Principles of Scientific Management

Fredric Winslow Taylor identified that the existing management practices were based on trial and error method. F.W. Taylor is known as father of Scientific Management.

Scientific management means the application of scientific methods of study and analysis the problems of management. Taylor developed the following principles for guiding the managers of an organisation. These principles are known as the principles of Scientific Management. The principles of Scientific Management are :

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1. **Development of Science for Each Element of Man's Work :** According to this principle, decisions should be based on facts rather than rule of thumb. The work assigned to a worker should be observed. Each element (time taken, fatigue of worker etc.) of work should be analysed. The purpose of such observation is to decide the best way of performing the job. Taylor stressed that each job should be based on scientific study.
2. **Scientific Selection, Training and Development of Workmen :** F.W. Taylor suggested that if an organisation wants to improve the efficiency, it is necessary that workmen are appointed with due care scientifically on the basis of job analysis and job description. So that their skills and experience match with the jobs.
3. **Close Co-operation between Workers and Management :** F.W. Taylor is of the view that there should be close co-operation between workers and management to carry out the work in accordance with the plans and standards.
4. **Mental Revolution :** According to F.W. Taylor, without complete mental revolution of workers and managers, scientific management will not be successful. The workers and managers should have a complete change of outlook with respect to their relations and work efforts. This is called mental revolution.
5. **Maximum Prosperity :** As per this principle, the aim of every management should be to secure maximum prosperity for the employers and employees. This is possible only when each worker is given the opportunity for maximum output rather than restricted output.
6. **Division of Responsibility :** Taylor emphasized that there should be clear cut division of responsibility between management and workers. Planning of work should be the responsibility of managers. Execution work should be done by workers.

10.7.2 Techniques of Scientific Management

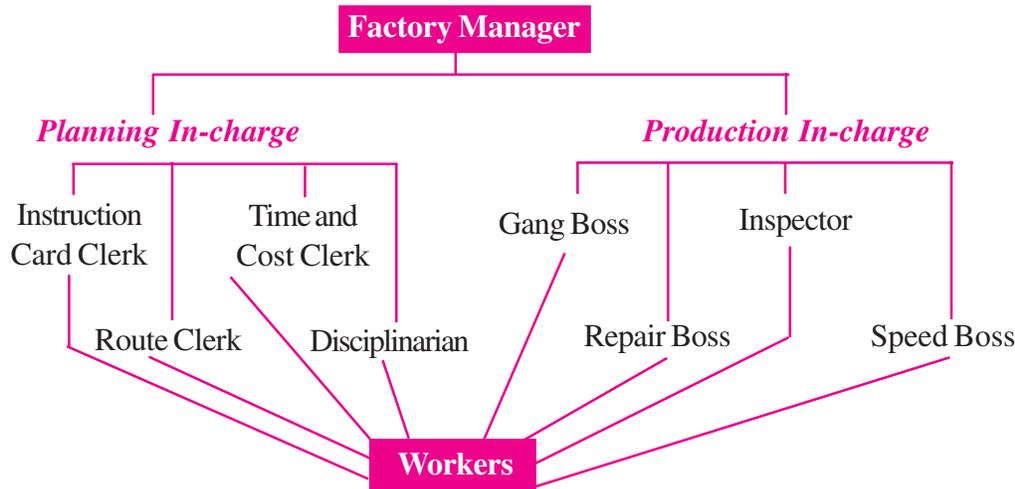
Taylor is best known for the techniques of scientific management, particularly in the production department and that too at the shop level. Following are the techniques of Scientific Management as given by Taylor.

1. **Work Studies :** Work study is 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 time study, motion study, fatigue study and method study.
 - a. **Time Study :** It is a technique of observing and recording the time required to do a piece of work and developing the best way of doing it.



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- b. Motion Study :** Under motion study, the movement of men, machines and materials are observed and analysed. Motion study eliminates wasteful motions and help to find the best method of doing a particular job.
 - c. Fatigue Study :** Fatigue study means the systematic, objective and critical examination of the causes and consequences of fatigue. This study is aimed to determine the amount and frequency of rest required in completing the work with full capacity.
 - d. Method Study :** Method study is concerned with analysing and evaluating the methods (capital intensive or labour intensive) of performing a job. Management should select a best method after considering the following factors : labour cost, availability of capital, material cost etc.
- 2. Standardisation :** It refers to the methods of selecting standard materials, machines and tools for use by workers and standardisation of working conditions with respect to lighting, ventilation etc. It will improve the efficient performance of jobs.
 - 3. Functional Foremanship :** Under functional foremanship, a worker is supervised by several specialist foreman. Eight foremen control various aspects of production.



Foreman under planning Department are :

- 1. Route Clerk :** He will determine the process of production and the route through which the raw materials will pass.
- 2. Instruction Card Clerk :** He lays down the instructions for workers, who have to follow them to perform their jobs.
- 3. Time & Cost Clerk :** He sets the time table for doing various jobs and specify the labour cost and material cost for each operation.

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4. **Shop Disciplinarian** : He has the responsibility to maintain discipline in the factory.

Foremen under Production Department are :

1. **Gang Boss** : He arranges workers, machines, tools and materials etc. for the jobs.
2. **Speed Boss** : He has the responsibility of maintaining the planned speed of production. In case of delay, he investigates the causes and tries to remove them.
3. **Repair Boss** : He has the responsibility of maintaining (cleaning, greasing, oiling etc.) the machines, tools and equipments.
4. **Inspector** : He has to ensure that output agrees to the standards of quality set by the planning department.

10.7.3 Differential Piece Rate Plan

F.W. Taylor suggested higher payment for those workers who produced standard output or more and lower payment to those who fail to produce standard output. Workers are paid on the basis of number of pieces produced. Due to different rates for different sets of workers, it is known as differential piece rate plan.

Suppose standard output is fixed at 100 units and two workers A and B produced 120 units and 80 units respectively. If the two piece rates are Rs. 1 and Rs. 0.75, A will receive Rs. 120 and B will get only Rs. 60 only. As B receives a lesser pay, he will be under pressure to improve the efficiency and to attain the standard output.

10.8 GENERAL PRINCIPLES OF MANAGEMENT

Scientific management was primarily concerned with increasing the efficiency of individual workers at the shop floor. It did not give adequate attention to role of managers and their functions. However, around the same time Henry Fayol, Director of a coal mining company in France made a systematic analysis of the process of management. He strongly felt that managers should be guided by certain principles, and evolved 14 general principles of management which are still considered important in management. These are:

1. **Division of Work** : This principle suggests that work should be assigned to a person for which he is best suited. Work should be divided into compact jobs to be assigned to individuals. This facilitates specialisation and improves efficiency.
2. **Authority and Responsibility** : Responsibility means the work assigned to any person, and authority means rights that are given to him to manage people and things to ensure performance. In other words, authority should go hand in hand with the responsibility for effective results.

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3. **Discipline :** This principle emphasises that subordinates should respect their superiors and obey their orders. On the other hand, superiors' behaviour should be such that they make subordinates obedient. If such discipline is observed, there will be no problem of industrial disputes.
4. **Unity of Command :** A subordinate should work under the supervision of one superior only from whom he gets instructions and to whom he is accountable. It avoids confusion in authority and instructions.
5. **Unity of Direction :** Each group of activities having the same objective must have one head and one plan of action. Otherwise, there may be wastage, over expenditure and useless rivalry among the managers.
6. **Subordination of Individual Interest to General Interest :** While taking any decision, the collective good and collective interest of the organisation as a whole should be preferred to individual interests. The individual's interest should be subordinated to the overall interest of the organisation. This ensures welfare of the organisation as well as its individual members.
7. **Remuneration :** Management should try to give fair wages to the employees so as to ensure reasonable satisfaction of workers and productivity for the organisation.
8. **Centralisation :** When a single person controls the affairs of an organisation, it is said to be complete centralisation. In small concerns, a single manager can supervise the work of the subordinates easily, while in a big organisation, control is divided among a number of persons to facilitate operational decision making at various levels. Fayol's opinion was that there should be a proper balance between centralisation and delegation of authority in an organisation.
9. **Scalar Chain :** This is the chain of authority relationship from the highest to the lowest ranks. This implies that subordinates report to their immediate supervisors who, in turn, report directly to their own boss. The order of this chain should be maintained when some instructions are to be passed on or enquiries are to be made.
10. **Order :** Placement of men and materials should be properly made. Proper space should be made available where materials can be kept safely. Each man should be provided the work for which he is best suited.
11. **Equity :** This principle requires the managers to be kind and just to workers. This promotes a friendly atmosphere between superiors and subordinates and motivates them to perform their duties efficiently.

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12. **Stability of Tenure :** Employees should be provided stability and continuity of their tenure of employment. There should not be frequent termination of employees. This could be achieved through attractive remuneration and honourable treatment of personnel.
13. **Initiative :** This implies encouraging initiative among its personnel to chalking out and execution of a plan to achieve the desired results.
14. **Esprit de Corps :** These French words mean team spirit. Managers should infuse the spirit of team work and cooperation among the employees. It helps in developing an atmosphere of mutual trust and a sense of unity.

Fayol made it clear that these principles can be applied to most organisations, but these are not absolute principles. Organisations are at liberty to adopt those which suit them or to delete a few according to their needs.



INTEXT QUESTIONS 10.4

1. What is meant by 'unity of direction'?
2. From the following identify the general principles of management that each sentences implies :
 - (a) A person should receive order from one person only.
 - (b) Team spirit should be encouraged.
 - (c) Managers should be kind and just to workers.
 - (d) Instructions should be passed through a well defined path only.
3. Multiple Choice Questions
 - i. Who is known as the father of Scientific Management.

a) Peter F. Drucker	b) Henry Fayol
c) Fredrick Winslow Taylor	d) None of the above
 - ii. Name the technique of Scientific Management that lays down that there should be two types of rates of wage payment.

a) differential piece rate system	b) standarlisation
c) functional foremanship	d) mental revolution
 - iii. From the following identify the technique of Scientific Management which lays down that workers should have multiple accountability.

a) standarlisation	b) functional foremanship
c) differential piece rate system	d) mental revolution



WHAT YOU HAVE LEARNT

- Management is a significant aspect of our day-to-day life. In a business organisation, management helps in better utilisation of inputs like money, raw materials, machines and men and this help in achieving better outputs.
- Management try to achieve several objectives – optimum utilisation of resources, increase in productivity, fair return on capital invested, creation of goodwill and meeting challenges of the changing environment.
- Co-ordination synchronises all the activities of an organisation to achieve the objectives of enterprise. Co-ordination is a continuous activity and it is the essence of management.
- Co-ordination helps in maintaining harmony among workers.
- Importance of Co-ordination include unity of action, prevents overlapping of work, achieve good human relations, increases efficiency and moral of the employees.
- Management is an intangible, continues goal directed, universal activity. It deals with people, hence called a social process. Management is always situational.
- Management helps in achieving goals with efficiency. It ensures both stability and growth keeping in touch with change in the environment.
- Management is an art, science as well as profession.
- Management can be divided into three levels
 - ▶▶ Top level management ▶▶ Middle level management
 - ▶▶ Lower level management
- In every organisation managers perform six important functions
 - ▶▶ Planning ▶▶ Directing ▶▶ Organising
 - ▶▶ Controlling ▶▶ Staffing ▶▶ Coordinating
- Henry Fayol has listed fourteen principles of management, There are
 - ▶▶ Division of work ▶▶ Authority and Responsibility
 - ▶▶ Discipline ▶▶ Unity of command
 - ▶▶ Unity of Direction ▶▶ Subordination of individual interest to general interest
 - ▶▶ Remuneration ▶▶ Centralisation
 - ▶▶ Scalar Chain ▶▶ Order
 - ▶▶ Equity ▶▶ Stability of Tenure
 - ▶▶ Initiative ▶▶ Esprit de Corps
- Principles of management act as a guide for research in management, reference for managers improving understanding and increases efficiency.



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- Taylor's Scientific principles are
 - ▶▶ Development of science for each element of man's work.
 - ▶▶ Scientific selection, training and development of workmen.
 - ▶▶ Close co-operation between workers and management.
 - ▶▶ Mental revolution.
 - ▶▶ Division of responsibility.
- Techniques of scientific management include work studies, standardisation, functional foremanship and differential piece rate plan.



KEY TERMS

Controlling	Initiative	Scalar chain
Co-ordinating	Organising	Unity of command
Directing	Planning	Unity of direction
Equity	Staffing	
Esprit de corps	Scientific management	



TERMINAL EXERCISE

Very Short Answer Type Questions

1. Define the term 'Management'.
2. What do you mean by Co-ordination?
3. List different levels of management.
4. State the meaning of Esprit de Corps.
5. What is meant by subordination of individual interest to general interest?
6. Define the term 'Equity' as a principle of management.
7. State any one principle of Scientific Management.
8. What is meant by motion study?

Short Answer Type Questions

9. State any three objectives of management.
10. Mention the different characteristics of management.
11. Explain the meaning of 'management as a discipline'.
12. Can management be treated as a profession? Give reasons in support of your answer.
13. What is meant by scientific management?

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14. State any three characteristics of principles of management.
15. Explain the importance of principles of management.
16. What is meant by principles of management?
17. What do you mean by Mental revolution?

Long Answer Type Questions

18. Explain Co-ordination as the essence of management.
19. Describe the characteristics of management.
20. Explain the importance of coordination.
21. Explain the objectives of management.
22. Describe the importance of management.
23. State the various functions of management.
24. State the fourteen principles of management given by Henry Fayol.
25. Explain any three characteristics of management.
26. Explain management as a discipline and as a group.



ANSWERS TO INTEXT QUESTIONS

- 10.1**
2. (b) INTANGIBLE (d) SITUATIONAL
(c) SOCIAL (e) CONTINUOUS
 3. (a) Optimum utilisation of resources
(b) Increase in productivity
(c) Fair return on
(d) Credit Goodwill
(e) Meet Challenges of changing environment (any three)
- 10.2**
1. Art: (b), (d) Science: (a), (c) Profession: (e)
 2. (a) - (iii) (b) - (iv) (c) - (i) (d) - (ii)
- 10.3**
1. (A) - (b) - (iii) (B) - (a) - (i) (C) - (c) - (ii)
 2. (a) Planning (b) Directing (c) Controlling
(d) Coordination (e) Staffing
 3. (i) c (ii) Co-ordination (iii) d
- 10.4**
2. (a) Unity of command (b) Esprit - de-corps (c) Discipline
(d) Equity (e) Scalar Chain
 3. (i) c (ii) a (iii) b

MODULE - 4

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Notes

MODULE - 4*Business Management :
Nature and Scope**Notes***Fundamentals of Management****DO AND LEARN**

1. Visit a nearby organisation. Make a list of all the people working there and categorise on the basis of which level of management they belong to.
2. Suppose your mother is the head of your family. List all the activities she does in her daily life. Put these task into different functions of management.

**ROLE PLAY**

Anubhav has just finished his Sr. Secondary Course from NIOS. His father, a businessman is happy that now his son will help him in his business. But, to his displeasure Anubhav does not want to join the business now. He first wants to do BBA (Bachelor of Business Administration) and then join his father in business.

Father : Anubhav, what is the need for BBA degree? Eventually you are going to join my business. Then why waste three precious years in studying for a management degree. I didn't do any management course still I am doing fine.

Anubhav : Papa, You started this business thirty years ago. Business environment was comparatively stable. By trial and error and after many ups and downs you have reached here. But in today's world of globalisation, changing technology and communication etc., one must learn to apply management principles. Very soon we may survive but not able to compete.

Father : Means?

Anubhav : In today's changing world with declining resources, management helps us in achieving our targets more effectively and efficiently.

Father : I have been managing.

Anubhav : But we may not be able to compete effectively. Anubhav explained in details the significance of management to his father.

(Choose a role for yourself and the other for your friend and continue the conversation.)

3

BUSINESS ENVIRONMENT



Notes

Understanding the environment within which the business has to operate is very important for running a business unit successfully at any place. Because, the environmental factors influence almost every aspect of business, be it its nature, its location, the prices of products, the distribution system, or the personnel policies. Hence it is important to learn about the various components of the business environment, which consists of the economic aspect, the socio-cultural aspects, the political framework, the legal aspects and the technological aspects etc. In this chapter, we shall learn about the concept of business environment, its nature and significance and the various components of the environment. In addition, we shall also acquaint ourselves with the concept of social responsibility of business and business ethics.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning of business environment;
- identify the features of business environment;
- describe the importance and types of business environment;
- describe the recent developments in Indian Economy that have greatly influenced the working of business units in India;
- explain the concept of social responsibility of business;
- state the social responsibility of business towards different interest groups;
- explain the concept of business ethics; and
- understand the impact of Government Policy changes on Business and Industry.

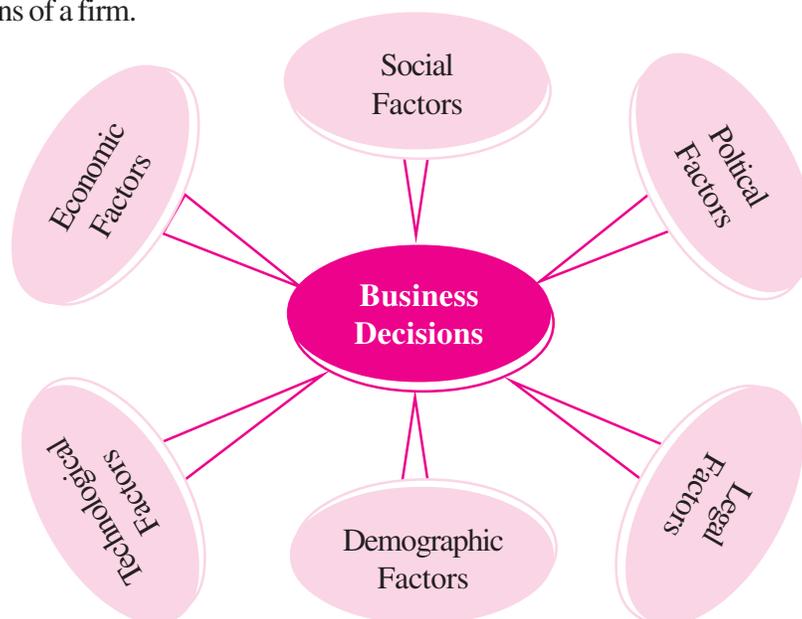
3.1 MEANING OF BUSINESS ENVIRONMENT



Notes

As stated earlier, the success of every business depends on adapting itself to the environment within which it functions. For example, when there is a change in the government policies, the business has to make the necessary changes to adapt itself to the new policies. Similarly, a change in the technology may render the existing products obsolete, as we have seen that the introduction of computer has replaced the typewriters; the colour television has made the black and white television out of fashion. Again a change in the fashion or customers' taste may shift the demand in the market for a particular product, e.g., the demand for jeans reduced the sale of other traditional wear. All these aspects are external factors that are beyond the control of the business. So the business units must have to adapt themselves to these changes in order to survive and succeed in business. Hence, it is very necessary to have a clear understanding of the concept of business environment and the nature of its various components.

The term 'business environment' connotes external forces, factors and institutions that are beyond the control of the business and they affect the functioning of a business enterprise. These include customers, competitors, suppliers, government, and the social, political, legal and technological factors etc. While some of these factors or forces may have direct influence over the business firm, others may operate indirectly. Thus, business environment may be defined as the total surroundings, which have a direct or indirect bearing on the functioning of business. It may also be defined as the set of external factors, such as economic factors, social factors, political and legal factors, demographic factors, technical factors etc., which are uncontrollable in nature and affects the business decisions of a firm.



3.1.1 Features of Business Environment

On the basis of the above discussion the features of business environment can be summarised as follows.

- (a) Business environment is the sum total of all factors external to the business firm and that greatly influence their functioning.
- (b) It covers factors and forces like customers, competitors, suppliers, government, and the social, cultural, political, technological and legal conditions.
- (c) The business environment is dynamic in nature, that means, it keeps on changing.
- (d) The changes in business environment are unpredictable. It is very difficult to predict the exact nature of future happenings and the changes in economic and social environment. .
- (e) Business Environment differs from place to place, region to region and country to country. Political conditions in India differ from those in Pakistan. Taste and values cherished by people in India and China vary considerably.



Notes

3.1.2 Importance of Business Environment

There is a close and continuous interaction between the business and its environment. This interaction helps in strengthening the business firm and using its resources more effectively. As stated above, the business environment is multifaceted, complex, and dynamic in nature and has a far-reaching impact on the survival and growth of the business. To be more specific, proper understanding of the social, political, legal and economic environment helps the business in the following ways:

- (a) **Determining Opportunities and Threats :** The interaction between the business and its environment would identify opportunities for and threats to the business. It helps the business enterprises for meeting the challenges successfully.
- (b) **Giving Direction for Growth :** The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities.
- (c) **Continuous Learning :** Environmental analysis makes the task of managers easier in dealing with business challenges. The managers are motivated to continuously update their knowledge, understanding and skills to meet the predicted changes in realm of business.
- (d) **Image Building :** Environmental understanding helps the business organisations in improving their image by showing their sensitivity to the environment within which they are working. For example, in view of the shortage of power, many companies have set up Captive Power Plants (CPP) in their factories to meet their own requirement of power.

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- (e) **Meeting Competition** : It helps the firms to analyse the competitors' strategies and formulate their own strategies accordingly.
- (f) **Identifying Firm's Strength and Weakness** : Business environment helps to identify the individual strengths and weaknesses in view of the technological and global developments.



INTEXT QUESTIONS 3.1

1. Define the term Business Environment in your own words.
2. Rectify the following sentences if found incorrect.
 - (a) The business environment is static in nature.
 - (b) Business environment includes factors external as well as internal to business firm.
 - (c) The changes in business environment are quite predictable.
 - (d) Business environment helps the firm to identify the opportunities for the business.

3.2 TYPES OF BUSINESS ENVIRONMENT

Confining business environment to uncontrollable external factors, it may be classified as (a) Economic environment; and (b) Non-economic environment. The economic environment includes economic conditions, economic policies and economic system of the country. Non-economic environment comprises social, political, legal, technological, demographic and natural environment. All these have a bearing on the strategies adopted by the firms and any change in these areas is likely to have a far-reaching impact on their operations. Let us have a brief idea about each of these areas of business environment.

3.2.1 Economic Environment

The survival and success of each and every business enterprise depend fully on its economic environment. The main factors that affect the economic environment are:

- (a) **Economic Conditions** : The economic conditions of a nation refer to a set of economic factors that have great influence on business organisations and their operations. These include gross domestic product, per capita income, markets for goods and services, availability of capital, foreign exchange reserve, growth of foreign trade, strength of capital market etc. All these help in improving the pace of economic growth.

(b) Economic Policies : All business activities and operations are directly influenced by the economic policies framed by the government from time to time. Some of the important economic policies are:

- (i) Industrial policy
- (ii) Fiscal policy
- (iii) Monetary policy
- (iv) Foreign investment policy
- (v) Export–Import policy (Exim policy)

The government keeps on changing these policies from time to time in view of the developments taking place in the economic scenario, political expediency and the changing requirement. Every business firm has to function strictly within the policy framework and respond to the changes therein.

Important Economic Policies

- (i) ***Industrial policy:*** *The Industrial policy of the government covers all those principles, policies, rules, regulations and procedures, which direct and control the industrial enterprises of the country and shape the pattern of industrial development.*
- (ii) ***Fiscal policy:*** *It includes government policy in respect of public expenditure, taxation and public debt.*
- (iii) ***Monetary policy:*** *It includes all those activities and interventions that aim at smooth supply of credit to the business and a boost to trade and industry.*
- (iv) ***Foreign investment policy:*** *This policy aims at regulating the inflow of foreign investment in various sectors for speeding up industrial development and take advantage of the modern technology.*
- (v) ***Export–Import policy (Exim policy):*** *It aims at increasing exports and bridge the gap between export and import. Through this policy, the government announces various duties/levies. The focus now-a-days lies on removing barriers and controls and lowering the custom duties.*

(c) Economic System : The world economy is primarily governed by three types of economic systems, viz., (i) Capitalist economy; (ii) Socialist economy; and (iii) Mixed economy. India has adopted the mixed economy system which implies co-existence of public sector and private sector.



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3.2.2 Non-economic Environment

The various elements of non-economic environment are as follow:

- (a) **Social Environment :** The social environment of business includes social factors like customs, traditions, values, beliefs, poverty, literacy, life expectancy rate etc. The social structure and the values that a society cherishes have a considerable influence on the functioning of business firms. For example, during festive seasons there is an increase in the demand for new clothes, sweets, fruits, flower, etc. Due to increase in literacy rate the consumers are becoming more conscious of the quality of the products. Due to change in family composition, more nuclear families with single child concepts have come up. This increases the demand for the different types of household goods. It may be noted that the consumption patterns, the dressing and living styles of people belonging to different social structures and culture vary significantly.
- (b) **Political Environment :** This includes the political system, the government policies and attitude towards the business community and the unionism. All these aspects have a bearing on the strategies adopted by the business firms. The stability of the government also influences business and related activities to a great extent. It sends a signal of strength, confidence to various interest groups and investors. Further, ideology of the political party also influences the business organisation and its operations. You may be aware that Coca-Cola, a cold drink widely used even now, had to wind up operations in India in late seventies. Again the trade union activities also influence the operation of business enterprises. Most of the labour unions in India are affiliated to various political parties. Strikes, lockouts and labour disputes etc. also adversely affect the business operations. However, with the competitive business environment, trade unions are now showing great maturity and started contributing positively to the success of the business organisation and its operations through workers participation in management.
- (c) **Legal Environment :** This refers to set of laws, regulations, which influence the business organisations and their operations. Every business organisation has to obey, and work within the framework of the law. The important legislations that concern the business enterprises include:
- (i) Companies Act, 1956
 - (ii) Foreign Exchange Management Act, 1999
 - (iii) The Factories Act, 1948
 - (iv) Industrial Disputes Act, 1972
 - (v) Payment of Gratuity Act, 1972

- (vi) Industries (Development and Regulation) Act, 1951
- (vii) Prevention of Food Adulteration Act, 1954
- (viii) Essential Commodities Act, 2002
- (ix) The Standards of Weights and Measures Act, 1956
- (x) Monopolies and Restrictive Trade Practices Act, 1969
- (xi) Trade Marks Act, 1999
- (xii) Bureau of Indian Standards Act, 1986
- (xiii) Consumer Protection Act, 1986
- (xiv) Environment Protection Act
- (xv) Competition Act, 2002

Besides, the above legislations, the following are also form part of the legal environment of business.

- (i) **Provisions of the Constitution :** The provisions of the Articles of the Indian Constitution, particularly directive principles, rights and duties of citizens, legislative powers of the central and state government also influence the operation of business enterprises.
- (ii) **Judicial Decisions :** The judiciary has to ensure that the legislature and the government function in the interest of the public and act within the boundaries of the constitution. The various judgments given by the court in different matters relating to trade and industry also influence the business activities.
- (d) **Technological Environment :** Technological environment include the methods, techniques and approaches adopted for production of goods and services and its distribution. The varying technological environments of different countries affect the designing of products. For example, in USA and many other countries electrical appliances are designed for 110 volts. But when these are made for India, they have to be of 220 volts. In the modern competitive age, the pace of technological changes is very fast. Hence, in order to survive and grow in the market, a business has to adopt the technological changes from time to time. It may be noted that scientific research for improvement and innovation in products and services is a regular activity in most of the big industrial organisations. Now a days infact, no firm can afford to persist with the outdated technologies.
- (e) **Demographic Environment :** This refers to the size, density, distribution and growth rate of population. All these factors have a direct bearing on the demand for various goods and services. For example a country where population rate is



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high and children constitute a large section of population, then there is more demand for baby products. Similarly the demand of the people of cities and towns are different than the people of rural areas. The high rise of population indicates the easy availability of labour. These encourage the business enterprises to use labour intensive techniques of production. Moreover, availability of skill labour in certain areas motivates the firms to set up their units in such area. For example, the business units from America, Canada, Australia, Germany, UK, are coming to India due to easy availability of skilled manpower. Thus, a firm that keeps a watch on the changes on the demographic front and reads them accurately will find opportunities knocking at its doorsteps.

- (f) **Natural Environment :** The natural environment includes geographical and ecological factors that influence the business operations. These factors include the availability of natural resources, weather and climatic condition, location aspect, topographical factors, etc. Business is greatly influenced by the nature of natural environment. For example, sugar factories are set up only at those places where sugarcane can be grown. It is always considered better to establish manufacturing unit near the sources of input. Further, government's policies to maintain ecological balance, conservation of natural resources etc. put additional responsibility on the business sector.



INTEXT QUESTIONS 3.2

1. What is meant by Exim policy?
2. Identify the types of non-economic environment in the following cases:
 - (a) Demand for new clothes increases during festive session.
 - (b) Computer has outdated typewriter.
 - (c) Coca-Cola is now being freely sold in the Indian market.
 - (d) Sugar factories are being set up where sugarcane is grown abundantly.
 - (e) Availability of skilled labour in a particular region.

3.3 RECENT DEVELOPMENTS IN INDIAN ECONOMY

The economic environment of business in India has been changing at a fast rate mainly due to the changes in the economic policies of the government. At the time of independence, the Indian economy was basically agrarian with a weak industrial base. To speed up the industrial growth and solve various economic problems, the government took several steps like state ownership on certain categories of industries, economic planning, reduced role of private sector, etc. The Government adopted several control

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measures on the functioning of private sector enterprises. All these efforts resulted a mixed response. There was growth in net national product, per capita income and development of capital goods sector and infrastructure. But rate of industrial growth was slow, inflation increased and government faced a serious foreign exchange crisis during eighties. As a result, the government of India introduced a radical change in economic policies in 1991. This policy abolished industrial licensing in most of the cases, allowed private participation in most industries, disinvestment was carried out in many public sector industrial enterprises and opened up the economy considerably. Foreign Investment Promotion Board was set up to channelise foreign capital investment in India. Let us discuss the developments under three heads, viz., (a) Liberalisation, (b) Privatisation, and (c) Globalisation.

(a) Liberalisation

Liberalisation refers to the process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises. It includes:

- (i) abolishing industrial licensing requirement in most of the industries;
- (ii) freedom in deciding the scale of business activities;
- (iii) freedom in fixing prices of goods and services;
- (iv) simplifying the procedure for imports and exports;
- (v) reduction in tax rates; and
- (vi) simplified policies to attract foreign capital and technology to India.

Through this liberalisation process, Indian Economy has opened up and started interacting with the world in a big way. This has resulted in easy entry of foreign business organisations in India. This has further resulted in stiff competition and efficiency. Ultimately, liberalisation has helped us in achieving a high growth rate, easy availability of goods at competitive rates, a healthy and flourishing stock market, high foreign exchange reserve, low inflation rate, strong rupee, good industrial relations, etc.

(b) Privatisation

Privatisation refers to reducing the role of public sector by involving the private sectors in most activities. Due to the policy reforms announced in 1991, the expansion of public sector has literally come to a halt and the private sector registered fast growth in the post-liberalised period. The issues of privatisation include:

- (i) reduction in the number of industries reserved for the public sector from 17 to 8 (reduced further to 3 later on) and the introduction of selective competition in the reserved area;

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- (ii) disinvestment of shares of selected public sector industrial enterprises in order to raise resources and to encourage wider participation of general public and workers in the ownership in business;
- (iii) improvement in performance through an MOU system by which managements are to be granted greater autonomy but held accountable for specified results.

In India, as a result of these steps, the post liberalisation phase has witnessed a massive expansion of the private sector business in India. You can have an idea of their expansion from the fact that the total capital employed in top 500 private sector companies rose from Rs. 1,39,806 crores in 1992-93 to Rs. 2,34,751 crores in 1994-95 (an expansion of 68% in just two years).

(c) Globalisation

Globalisation means 'integrating' the economy of a country with the world economy. This implies free flow of goods and services, capital, technology and labour across national boundaries. To achieve these objectives of globalisation, the government has adopted various measures such as reduction in custom duties, removal of quantitative restrictions or quotas on exports and imports, facilitating foreign investment and encouragement of foreign technology. These measures are expected to achieve a higher rate of growth, enlargement of employment potential, and reduction of regional disparities.

(d) Business Environment

Impact of Government Policy changes on Business & Industry with special reference to liberalization, privatisation and globalisation.

1. **Rapidly Changing Technological Environment :** After the introduction of new economic policy the companies were forced to adopt the world class technology. The reason is increase in competition.
2. **More Demanding Consumers :** Prior to government policy changes, consumers purchased goods and services without much inquiry. But now-a-days products are produced considering the demands of customers. Customers have started buying good quality goods and services.
3. **Increasing Competition :** Today, Indian companies have to face competition not only from the internal market but also from the MNCs. If the companies could not face the competition, they had to leave the market.
4. **Necessity for Change :** Before the government policy changes, the businesses were more stable. Policies once laid down were used to continue for a long time. But these days business environment is undergoing rapid changes so business enterprise have to modify their policies from time to time.

5. Necessity for Developing Human Resources : Prior to government policy changes, Indian companies were managed by inadequately trained personnel. New market situations demanded highly skilled and competent human resources. Hence, Indian companies started training and developing their human skills.



INTEXT QUESTIONS 3.3

1. What is meant by Globalisation?
2. Write 'L' for Liberalisation, 'P' for Privatisation and 'G' for Globalisation.
 - (a) Freedom in fixing prices of goods and services.
 - (b) Disinvestment of shares of public sector industrial enterprises.
 - (c) Reduction in sales tax rates.
 - (d) Reduction in custom duties.
 - (e) Reduction in number of industries reserved for public sector.



Notes

3.4 SOCIAL RESPONSIBILITY OF BUSINESS

Every business enterprise is an integral part of the society. It uses the scarce resources of the society to continue and grow. Hence, it is important that no activity of business is injurious to the long run interests of the society. However, it is observed that, in practice, there are a few socially undesirable aspects of business such as, polluting the environment, non-payment of taxes, manufacturing and selling adulterated products, giving misleading advertisement and so on. This has resulted in the development of the concept of social responsibility of business whereby the owners and managers of business are made conscious about the responsibilities of their business towards the community and its customers, workers etc.

3.4.1 Concept of Social Responsibility

Social responsibility of business means obligation to act in a manner which will serve the best interests of the society. Social obligation of a business is different from legal obligation legal obligation is observed because of the provisions or fear of law, but social obligations will help to take voluntary efforts on the part of business to fulfill the need of the society. By fulfilling the social obligations, business creates an environment which is conducive to its success.

Case for Social Responsibility

Business has social responsibility because of the following reasons :

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1. **Self Interest :** Business can succeed in the long run by fulfilling the demands of the society. The people who have good environment, education and opportunities can become good employees, customers and neighbours of the business.
2. **Balancing of Social Power :** The decisions and activities of a business can affect the consumers, employees, environment and community. So it has social power. If social power and responsibility are not balanced, the business might use its power against the interests of consumers, employees, environment and community.
3. **Creation of Society :** Business is a creation of society as it uses the resources provided by the society. So it should utilise the resources for the benefit of people. A successful business can built a happy and satisfied community and employees.
4. **Social Awareness :** Now-a-days consumers are aware of the quality of various products, the market price of various products, the name of reputed companies supplying the product etc. Therefore, they should be given fair treatment by the business. Otherwise, they will organise and form Consumer Associations. This will compel the business to perform social obligations.
5. **Public Image :** If the business follows social obligations, public image will improve. The public will have credibility to the concern. Otherwise, conflict will arise between the business and society.
6. **Moral Justification :** Every business organisation uses human resources, physical resources and capital of the society. Roadways, power and water supply are used by business firms. The products of business units are sold to the society. Therefore, it is the moral responsibility of business to contribute for the well being of the society.

3.4.2 Responsibilities Towards Different Interest Groups

It needs to be noted that the responsibilities of those who manage the business cannot be limited to the owners. They have to take into account the expectations of other stakeholders like the workers, the consumers, the government and the community and public at large. Let us now look at the responsibilities of the business towards all these groups.

- (a) **Responsibility towards the shareholders or owners :** The shareholders or owners are those who invest their money in the business. They should be provided with a fair return on their investment. You know that in case of companies it is in the form of dividends. It has to be ensured that the rate of dividend is commensurable with the risk involved and the earnings made. Besides dividends, the shareholders also expect an appreciation in the value of shares. This is governed primarily by company's performance.

Funds required by the business are provided by investors. The responsibility of business towards owners or investors are as follows :

1. To ensure safety of investment.
2. To provide regular, correct and adequate information on the financial aspects.
3. To provide fair and regular dividend.
4. To ensure capital appreciation.
5. To protect the assets of the business.



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- (b) Responsibility towards the Employees :** A business enterprise must ensure a fair wage or salary to the workers based on the nature of work involved and the prevailing rates in the market. The working conditions must be good in respect of safety, medical facilities, canteen, housing, leave and retirement benefits etc. They should also be paid reasonable amount of bonus based on the business earnings. Preferably, there should also be a provision for their participation in management

Without employees no organisation can survive. The brain, efforts, talent and expertise of employees bring success to business concerns. The responsibility of business towards its employees are as follows :

1. To provide reasonable and fair wages and salaries.
2. To maintain good working conditions for the good health of the workers.
3. To provide services such as housing, medical care, recreation etc.
4. To develop a sense of belonging.
5. To win the cooperation of the workers by creating better human relations in the business.

- (c) Responsibility towards the Consumers :** A business enterprise must supply quality goods and services to the consumers at reasonable prices. It should avoid adulteration, poor packaging, misleading and dishonest advertising, and ensure proper arrangement for attending to customer complaints and grievances.

The products produced by the business are used by consumers. The responsibility of business towards consumers are as follows :

1. To ensure regular supply of goods/services.
2. To provide goods at reasonable prices.
3. To provide goods which will help to meet the needs of consumers of different classes.

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4. To provide goods of standard quality.
5. To ensure that advertisements made are true.
6. To provide prompt and continuous service.

(d) Responsibility towards the Government : A business enterprise must follow the guidelines of the government while setting up the business. It should conduct the business in lawful manner, pay the taxes honestly and in time. It should not indulge in any corrupt practices or unlawful activities.

The responsibilities of business towards government are as follows :

1. To abide by the laws of the nation.
2. To pay taxes honestly and in time.
3. To refrain from corrupting government employees.
4. To discourage the tendencies of concentration of economic power and monopoly.
5. To adapt fair dealings in foreign trade.

(e) Responsibility towards the Community : Every business is a part and parcel of our community. So it should contribute towards the general welfare of the community. It should preserve and promote social and cultural values, generate employment opportunity and contribute towards the upliftment of weaker sections of the society. It must take every step to protect the physical and ecological environment of the society. It should contribute to the community development programmes like public health care, sports, cultural programmes.

Business should work for the community. The main responsibility of business towards the public are as follows :

1. To protect the environment from pollution.
2. To provide better employment opportunities.
3. To preserve social and cultural values.
4. To help the weaker sections of the society like disabled persons, widows, scheduled tribes etc.
5. To promote national integration.

Looking at the importance of the social responsibilities of business towards various groups, it would have been better if the companies act provided for the reporting of the social activity in the annual report of the companies. However, a few large companies

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have been voluntarily reporting their social performances in their Annual Reports regularly. The prominent among them are Cement Corporation of India, Indian Oil Corporation, Tata Steels, Asian paints and ITC. These reports reveal that companies are becoming eco-friendly and conscious of their role in community development.

3.4.3 Business and Environmental Protection

The health of plants and animals depend on the quality of environment in which they live. Rapid industrialisation, evolvment of fast food centres and traffic have caused much damage to the environment. Forests and wild life are declining very fast because of the construction of large number of factories and apartments for their employees. Therefore, air, noise and water pollution increased. Governments have framed laws to prevent pollution. Pollution Control Boards have been set up by Central and State governments.

Causes of Environmental Pollution

Environmental pollution arises due to the following causes :

1. **Air Pollution :** Air pollution is the result of a combination of factors which decreases the air quality. Carbon monoxide emitted by automobiles contributes to air pollution.
2. **Water Pollution :** Chemical waste from factories is polluting the water bodies of every country. Throwing of plastic bags filled with flowers and other materials plastic bottles etc. pollute our rivers, streams and lakes.
3. **Land Pollution :** Excessive useage of pesticides in agriculture has damaged our devine land. People go for shopping every day and have the habit of buying in plastic bags. People throw these plastic bags here and there causing pollution of soil.
4. **Noise Pollution :** Running of factories is a source of noise pollution. Automobiles also cause noise pollution. Noise pollution may cause mental disorder, loss of hearing, malfunctioning of heart etc.

Need for Pollution Control

Pollution control is required because of the following reasons :

1. To reduce safety hazards and to ensure safety of life.
2. To reduce risk of liability to pay compensation to people.
3. To protect public health.
4. To reduce inconveniences like water pollution (which will affect fishes and other water plants), human health hazards such as breathing difficulty, irritation in eyes etc.
5. To save cost of cleaning the land and machines.

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MODULE - 1*Business Around Us***Business Environment***Notes***3.5 BUSINESS ETHICS**

Business Ethics means the business practices which are desirable from the point of view of the society. i.e. the moral principles which should be followed by business.

Business ethics are concerned with determining what is right and what is wrong while doing the business. By ethics we mean the business practices which are desirable from the point of view of the society.

A few examples of ethical business practices are :

1. To charge fair prices from the customer.
2. To use fair weights for commodities.
3. To pay taxes to government correctly and promptly.
4. To ensure supply of safe products for the public.
5. To give fair treatment to the workers.
6. Not to indulge in unfair trade practices, mal practices, black marketing and hoarding.

3.5.1 Elements of Business Ethics

The elements of business ethics are as follows :

1. Business ethics create selfimposed discipline on the part of the business firms.
2. Business ethics make a business honest and responsible.
3. Business ethics aims at fair and reasonable treatment to customers, employees, suppliers etc.
4. Business ethics co-exist with law which will help in the perfection of the conduct of life.
5. Business ethics covers all business practices which are desirable from the point of view of the society.

**INTEXT QUESTIONS 3.4**

1. State the meaning of 'business ethics'.
2. Identify the group towards which the business is responsible.
 - (a) When the organisation pays the taxes in time.
 - (b) When the company produces good quality products and sells it at reasonable price.

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- (c) When the company organises sport meet for the general public for a particular locality.
- (d) When the company declares dividend at a higher rate.
- (e) When the organisation provides proper medical facility to the staff members.
3. Multiple choice questions:
- i. Identify from the following the ethical practices in business.
 - a) Exploitation of workers b) Selling adulterated food.
 - c) Honesty in dealing with consumers d) Sale of duplicate goods
 - ii. Which of the following is not ethical practice :
 - a) Prompt payment of taxes by business
 - b) Sell products with correct measurement
 - c) Black marketing
 - d) Providing fair wages to workers.

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WHAT YOU HAVE LEARNT

- The term ‘business environment’ connotes external forces, factors and institutions that are beyond the control of the business and they affect the functioning of business enterprises. These include customers, competitors, suppliers, government, and the social, political, legal and technological factors etc. Business environment is multifaceted, complex, and dynamic in nature. The changes in business environment are unpredictable. It differs from place to place, region to region and country to country.
- **Importance of Business Environment:** The interaction between the business and its environment helps in identifying the opportunities for and threats to the business. It opens up new frontiers of growth for the business firms. Environmental analysis makes the task of managers easier in dealing with business challenges. It helps the firms to analyse the competitors’ strategies and formulate their own strategies accordingly keeping in mind its own strength and weakness.
- Types of Business Environment
 - (a) *Economic environment* : (i) Economic Conditions; (ii) Economic Policies; (iii) Economic System

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- (b) **Non-economic environment** : (i) Social Environment; (ii) Political Environment; (iii) Legal Environment; (iv) Technological Environment; (v) Demographic Environment; (vi) Natural Environment
- Recent Developments in Indian Economy
 - (a) **Liberalisation**: Liberalisation refers to the process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises.
 - (b) **Privatisation** : Privatisation refers to reducing the role of public sector by involving the private sectors in most activities.
 - (c) **Globalisation** : Globalisation means ‘integrating’ the economy of a country with the world economy. This implies free flow of goods and services, capital, technology and labour across national boundaries.
 - **Social Responsibility of Business** : Social responsibility of business refers to the obligation of business enterprises to adopt policies and plans of actions that are desirable in terms of the expectation, values and interest of the society. It ensures that the interests of different groups of the public are not adversely affected by the decisions and policies of the business.
 - **Social Responsibilities Towards Different Groups**
 - (a) Responsibility towards the shareholders or owners
 - (b) Responsibility towards the Employees
 - (c) Responsibility towards the Consumers
 - (d) Responsibility towards the Government
 - (e) Responsibility towards the Community
 - **Business Ethics** : Business ethics are the moral principles, which guide the behaviour of businessmen or business activities in relation to the society. It provides certain code of conduct to carry on the business in a morally justified manner.
 - Social responsibility means obligation of business to care for the interests of society.
 - Arguments in favour of social responsibility : self interest, balancing of social power, creation of society, social awareness, public image and moral justification.
 - Business has the responsibility towards investors like ensuring safety of investment, provide correct information, provide fair dividend and to protect the assets of the business.
 - Business has the responsibility towards consumers like ensure regular supply of goods, provide goods at reasonable price, provide goods to meet the needs of consumers of different classes, provide goods of standard quality etc.

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- Responsibility towards employees are to provide fair wage/salaries, maintain good working conditions, provide housing and recreation facilities, to win the cooperation of workers etc.
- Responsibility of business towards government include to pay taxes promptly, to refrain from corruption, to adapt fair dealings in foreign trade and to discourage the tendencies concentration of economic power.
- Responsibility towards community include protection of environment, better employment opportunities, pressure social and cultural values, help weaker sections of the society and to promote national integration.
- Air pollution, water pollution, land pollution and noise pollution are the cause of environmental pollution.
- Business ethics means moral behaviour on the part of businessmen.
- Elements of business ethics include – discipline, honesty, fair and reasonable treatment, perfection in the conduct of life and desirable business practices.



KEY TERMS

Business Ethics	Legal Environment	Social Environment
Demographic Environment	Liberalisation	Social Responsibility of Business
Economic Environment	Natural Environment	Technological Environment
Economic Policy	Political Environment	
Globalisation	Privatisation	



TERMINAL EXERCISE

Very Short Answer Type Questions

1. State any two features of business environment.
2. Mention the different types of business environment.
3. List the various elements of non-economic environment of business.
4. State any two effects of liberalisation of Indian economy.
5. What is meant by the term 'ethics'?
6. What do you mean by social responsibility of business?
7. What do you understand by 'business ethics'?
8. State any two responsibilities of business towards consumers.

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9. Mention any two causes of environmental pollution.
10. State any two elements of business ethics.
11. Give two examples of business ethics.

Short Answer Type Questions

12. How does demographic environment of business influence the business activities.
13. What are the steps Government of India has taken as a part of its liberalisation process.
14. Explain the effect of political environment in the normal functioning of business enterprises.
15. Why should a business enterprise be socially responsible?
16. What are the effects of Globalisation of Indian economy?
17. Briefly explain the concept of social responsibility.
18. Enumerate the responsibilities of business towards employees.
19. Give any four arguments in favour of social responsibility.
20. What do you mean by the term 'business ethics'.

Long Answer Type Questions

21. Describe the importance of business environment for the business firm.
22. Explain any two non-economic environment of business.
23. What is meant by social responsibility of business? State the responsibilities of business towards the community.
24. Describe in brief the economic environment of business.
25. Explain the social responsibility of business towards different groups.
26. What are the responsibilities of business towards investors, consumers and employees?
27. What do you mean by social responsibility? Explain some points favouring social responsibility of business.
28. What do you mean by business ethics? Give three examples. Which are the elements of business ethics? Explain briefly.
29. **“Knowledge of Business Environment helps the businessmen to understand the opportunities for and threats to the business.” In the light of this statement explain the importance of Business Environment that helps to Businessmen to prepare future plans.**
30. **“Business has to take into account the expectations of various stakeholders like the workers, the consumers, the Government and the community.” Comment on this statement with the explanation of Social Responsibilities of business.**



ANSWERS TO INTEXT QUESTIONS

- 3.1** 2. (a) The business environment is dynamic in nature.
 (b) Business environment includes factors external to business firm.
 (c) The changes in business environment are quite unpredictable.
 (d) Correct statement.
- 3.2** 1. Exim policy regulates the import and export of our country. Through this policy Government decides the duties or taxes on import of goods and services.
2. (a) Social environment
 (b) Technological environment
 (c) Political environment
 (d) Natural environment
 (e) Demographic environment
- 3.3** 1. Globalisation means integrating the economy of a country with world economy. It implies free flow of goods and services, capital, technology and labour across the national boundaries.
2. (a) L (b) P (c) L (d) G (e) P
- 3.4** 1. Business ethics means the relationship between the society on one hand and business activities on the other. The objectives, practices, techniques and behaviour of business must be in conformity to the standards set by the society.
2. (a) Responsibility towards Government
 (b) Responsibility towards Consumer
 (c) Responsibility towards Community
 (d) Responsibility towards Owners/shareholders
 (e) Responsibility towards Employees
3. (i) c (ii) c



Notes



DO AND LEARN

- Visit the market place, post offices, banks and other places of your locality and make note of the changes that have taken place due the change in Information Technology.
- Find out the raw materials being available in abundance in your area. How many industries or business units are set up based on it? Prepare a report.

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ROLE PLAY



Notes

1. Satish belongs to a rural area. Once he had gone to the nearest town. He saw there a very big and well maintained park. Inside the park he read a small board - 'This Park is maintained by KCS Ltd'. He tried to recall where did he read this name before? He remembered that the charitable hospital of his village was also run by KCS Ltd. He was filled with curiosity. He decided to find out more about all this. One day he met his friend's father. Mr. K. Mohan.

Satish : Good Morning Uncle.

K. Mohan : Good Morning Satish? How are you?

Satish : Very fine! How about you?

K. Mohan : Great! What brings you here son?

Satish : Uncle, if I remember rightly you are in a company called KCS Ltd, right?

K. Mohan : You are right. I am working as General Manager (Administration). But why?

Satish : Uncle! Today when I went to the park, I observed that the company KCS Ltd. maintains the park and so also the charitable hospital in my village. Well, why should a company divert its attention from its regular activities and indulge in an activity which only increases its expense?

K. Mohan : Well, all these are taken up by the company as a part of its responsibility towards the community, and it is called Social Responsibility of a company.

Satish : Social Responsibility? What is that?

(Mr. K.Mohan explained to Satish about the concept of social responsibility of business.)
Now, you are required to continue the conversation by assuming a role for yourself and one for your friend.

2. Rahul, a trade union leader, discussed in one of the meetings with his followers, about the problems they faced while performing duties in the factory.

Workers : Informed Rahul about problems of working hours, bad working conditions, housing, recreation etc.

Rahul : No problem, I will talk to the manager and shall explain him about social responsibilities of business towards workers, society, Government and so on.

Assuming the discussion of Rahul & Manager of factory please continue the discussion on social responsibility, which manager is performing to discharge his duties towards different interest groups.

11

PLANNING AND ORGANISING



Notes

In the previous lesson, you learnt about the various functions of management, viz., planning, organising, staffing, directing, coordinating and controlling. In this lesson we shall discuss the first two functions i.e., planning and organising emphasising the nature, importance, process of planning with its limitations and types, and the basic concepts of organising including process of organising, the organisation structure, delegation and decentralisation of authority.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning and features of planning;
- describe the importance of planning;
- identify the steps involved in process of planning;
- explain the meaning and importance of organising;
- outline the steps involved in process of organising;
- limitations of planning;
- explain the concept of organisation structure and outline the forms it takes;
- differentiate between formal and informal organisation and
- explain the concepts of delegation and decentralisation of authority and the distinction between the two.

11.1 WHAT IS PLANNING

When we talk about planning, it simply refers to deciding in advance what is to be done and how it is to be done? For example, you decide in advance where to study (at

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NIOS or regular school) and what to study (to go in for Business Studies and Accountancy or Physics and Chemistry) etc. and plan for the admission, transport arrangement and purchase of books and stationeries etc. Thus, planning is a systematic way of deciding about and doing things in a purposeful manner. In the context of business organisations and their management it may be defined as the process of setting future objectives and deciding on the ways and means of achieving them. In the words of M.E. Hurley “planning is deciding in advance what is to be done in future. It involves the selection of objectives, policies, procedures and programmes from among the alternatives”.

11.2 FEATURES OF PLANNING

The basic features of planning can be summarised as follows:

- (a) Planning is the primary function of management as every activity needs to be planned before it is actually performed. In other words, planning precedes all other managerial functions and provides the very basis for organising, staffing, directing and controlling.
- (b) Planning is always goal directed. A manager cannot plan anything unless he knows what he wants to achieve. For example, you cannot plan for a journey unless you know where you want to go. Thus, planning is taking such steps so as to achieve the desired goal.
- (c) Planning is pervasive at all levels of management and so also for all functional area. Managers at the top level plan for the entire organisation. They make plans for a long period and lay down the objectives for the organisation as a whole. Middle-level managers make quarterly, half-yearly and yearly plans for the departments under them. Foremen and office supervisors plan for a workshop or a section of the office. They make plans for a short period, i.e., for the next day, next week or next month.
- (d) Planning is always futuristic. It is deciding in advance what to do, how to do, etc. It requires collection of information about various matters relating to business and then choosing a course of action for the future. However, while planning for the future, it does take past experience and current situation into consideration.
- (e) Planning is an intellectual activity and requires certain conceptual skills to look ahead into the future. It needs good foresight and sound judgment to anticipate future events, develop alternative courses of action and make the right choice.
- (f) Planning is a continuous process. In organisations plans are made for a specific period followed by new plans for further period. Sometimes the conditions or circumstance change requiring the plans to be revised. For example, a sugar factory situated in upper regions of Uttar Pradesh had planned for 1,000 tonnes of sugar

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during the last quarter of the year. Accordingly, the management planned for procurement of sugar cane from the nearby areas. Unfortunately, there was snowfall leading to loss of crop. This made the management to change their plan and procure sugarcane from far off areas like Haryana and Rajasthan and also revise their planned production of 1000 to 800 tonnes. Thus, planning is a continuous activity in organisations.

- (g) Planning basically involves making choices. Need for planning arises when goals/objectives are many and alternatives to achieve them are also plenty. While planning, alternatives are evaluated and a choice is made regarding which course of action is to be followed.
- (h) Planning is flexible. Planning is done on the basis of some forecasts which may not materialise. Hence, plans have to be changed in accordance with the changed conditions. Activities are planned with certain assumptions, which may not come true. Managers must make provision for alternate strategies and plans as indicated in the earlier example of a sugar factory.

11.3 IMPORTANCE OF PLANNING

Planning is the most important of all the management functions. Some of the points of importance are as follows:

- (a) Planning reduces uncertainty, risk and confusion in operation. Through planning, the future course of action is known to all and so, everybody knows exactly what needs to be done. This gives a sense of direction resulting in efficiency in operations.
- (b) Planning guides the decision making by the managers. Planning of goals to be achieved and the course of action to be followed to achieve the goal act as a guide in their own decision making and action plans.
- (c) Planning helps in achieving coordination and facilitates control. Proper planning integrates the tasks at the operational level, thereby making coordination more effective. It also helps in identifying deviations and taking the corrective action.
- (d) Planning with an element of flexibility makes the organisation adaptable. In other words planning makes the organisation capable of coping with the changing environment and facing challenges.
- (e) Planning leads to economy and efficiency in operations. Best methods are selected out of available choices, thus, reducing overlapping and wasteful activities.
- (f) Planning begins with the determination of objectives and directed towards their achievement. It keeps the executive alive and alert. Managers have to review the progress periodically and recast their strategies to meet the objectives.

MODULE - 5

Functions of Management



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It should be noted that planning also has certain limitations, as the plans are based on certain assumptions and incomplete information. Hence, the management has to be vigilant and provide for necessary flexibility to take care of changed situations.

11.4 LIMITATIONS OF PLANNING

Planning is of great importance to management. In spite of this fact, it suffers from some limitations. Following are the important limitations of planning :

1. **Rigidity** : The existence of a plan puts managerial activities in a rigid framework. Changes are not acceptable to the employees. This attitude makes employees and managers inflexible in their operations.
2. **Probabilistic** : Plans are based on forecast so they do not reflect reality. Predictions may not be correct and plans based on these predictions may go wrong. For example, even developed countries like America, UK, France etc. did not forecast sub-prime crisis, which resulted in a major economic crisis in those countries.
3. **Expensive and Time Consuming** : Planning requires a lot of time to collect information, its analysis and interpretation. So it is a time consuming process. It is not practicable during emergency. If the benefits derived are not more than the cost of plan, then it has adverse effect on the financial performance of an organisation.
4. **Delay in Actions** : Planning is a time consuming process. In case of urgent decisions, planning will delay the action.
5. **Misdirection** : Sometime planning may be used to serve individual and group interests and interest of the organisation may be ignored.
6. **False Sense of Security** : Planning may create a false sense of security among the employees of an organisation in the sense that since the activities will take place as per plan therefore, there is no need to worry.



INTEXT QUESTIONS 11.1

1. Define the term Planning.
2. Read the statements given below. Write against each if it represents a feature, or importance of planning or neither.
 - (a) Planning is the primary function of management.
 - (b) Planning brings about efficiency and effectiveness.
 - (c) Planning is always futuristic.

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- (d) Planning reduces uncertainty, risk and confusion.
 - (e) Planning helps in achieving coordination and control.
3. From the following identify the limitations of planning
- (a) Rigidity
 - (b) Facilitates Control
 - (c) Time Consuming
 - (d) Reduces Uncertainty
 - (e) Delay in Action
 - (f) Leads to economy

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Notes

11.5 THE PLANNING PROCESS/STEPS IN PLANNING

Planning in organisation follows a step-by-step process without which it may be difficult to build up proper plans and ensure their implementation. Such steps are as follows.

- 1. Establishment of Objectives :** All of us know that every organisation has some goals that it wants to achieve. Planning actually starts with defining these goals in more concrete, clear and unambiguous terms. This enables the management in gaining clarity on what they have to achieve and then plan all activities accordingly. Hence establishing organisational objectives is a pre-requisite for good and meaningful planning.
- 2. Making Assumptions (establishing premises) about the External and Internal Conditions :** Making assumptions about the future environment of business is the second step in planning. For example, it may be assumed that there will not be any change in tax laws and that there will be sufficient funds available to meet its financial requirements. These assumptions about the future environment of the business are known as **planning premises**. These premises may be **external** or **internal**. External planning premises relate to conditions outside the business. Internal planning premises relate to conditions prevailing within the organisation.

External planning premises include assumptions about the market demand and nature of competition, laws affecting the business, availability of resources, and changes in technology. If the management can visualise the likely changes in the external conditions, they can take steps to solve problems arising there from and plan to take advantage of the emerging business opportunities. Government policies and laws, for example, affect the decisions of managers to a great extent. Advance knowledge of the likely changes in government policy enables managers to plan their activities more appropriately.

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Notes

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Internal planning premises relate to conditions within an organisation. These conditions include cost, methods and techniques of production, employees, type of machinery and equipment, etc. All these constitute the internal resources which determine as to what the organisation is capable of achieving.

The study of external conditions enables a business unit to know the opportunities available in the market. Hundreds of opportunities are available to a business unit, but it cannot take advantage of every opportunity. It has to decide what it will produce and distribute in the light of what it can do i.e., on the basis of the study of internal factors and then plan accordingly.

3. **Development of Alternative Courses of Action :** The next step in planning is to identify the alternative courses of action to achieve the objectives set. For example, to achieve the objective of increasing the profits of a business unit, any one or more of the following alternatives can be used:
 - Increase the sale of its existing products
 - Improve product quality
 - Add new products/product lines
 - Increase the prices of products
 - Reduce costs
4. **Evaluation of Alternatives :** Evaluation of alternatives is the fourth step in planning. When alternative courses of action are there before a manager, he has to examine the feasibility and the possible results of each course of action before selecting the best course. Certain alternatives may not be practicable. Management should ignore such alternatives. For example, to maximise profits the management may not think of reducing the wages of workers as it may not be workable. Similarly, if prices are increased, the business unit may not be able to face competition in the market. So, the management should evaluate each of the remaining alternatives and work out how far they help in meeting the objectives and whether these are workable in the light of available resources.
5. **Selecting the Appropriate Course of Action :** After evaluating the alternatives the manager will select that alternative which gives maximum benefit at minimum cost. In selecting the best course from among the alternatives, managers should also keep in mind their own limitations of resources. So in making the final selection from among the alternative courses of action, the management will ultimately be guided by:
 - (a) the opportunities provided by the external environment; and
 - (b) the ability of the business unit to take advantage of these opportunities.

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6. **Arranging for Implementation :** After the management has finalised their choice, it should build up the necessary strategies and action plan for its implementation in due consultation with all key personnel who are to implement it.



INTEXT QUESTIONS 11.2

1. Rearrange the following elements of external and internal planning premises.

External Planning Premises

- (a) Methods of production
- (b) Availability of skilled labour
- (c) Change in govt. policy

Internal Planning Premises

- (i) Market demand
- (ii) Change in technology
- (iii) Use of modern machinery

2. Ramesh wants to appoint managers in different departments of his factory. He follows the following steps, which are not given in proper order. Arrange them carefully in correct sequence in the table given below.

- (a) Appointed three managers.
- (b) Visited two management institutes to interview the management graduates.
- (c) Compared the short listed candidates in terms of qualification and salary expected.
- (d) Set assumption that the technology is going to change; and that enough money is available for payment of salaries to the new managers.
- (e) Set a target of appointment of three managers.

11.6 TYPES OF PLANS

1. **Objectives :** Objectives are the end results towards which all the activities are directed. eg. it can be the objective of an organisation to impart training in cloth printing to 1000 persons in a year. As far as possible objectives should be measurable in quantative terms and should be achievable.
2. **Strategy :** To exist in the changing business environment and to face the competitions in the market plans that are formulated are called strategies. Strategies refer to plans which are prepared by considering the more of competitors for the optimum utilisation of resources. Strategy is a comprehensive plan which indicates the desired future of an organisation. e.g. (i) Tata adopted the strategy of attracting even middle income group to purchase cheaper car (Nano). (ii) Because of labour turnover, IT companies adopted the strategy of appointing not only engineers but also graduates from Maths and Physics discipline.

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3. **Policy :** A policy is a general statement that guides decision making. It decides the boundaries within which the decisions can be made. Policies direct decisions towards achievement of objectives. For e.g. an organisation may have policy of giving training only to candidates who secured more than 60 percent marks.
4. **Procedure :** Procedures are plans which determine the sequence of any work performance. If procedures are decided in advance, everyone can follow the same. For e.g. the procedure for giving training to candidates in an organisation.
 - a. Collect the application from candidates.
 - b. Verify the scores / mark of each candidate.
 - c. Verify the area of training needed by each individual (cutting & measuring a piece of cloth for stitching).
 - d. Collect fees / decide the stipend to be given to each candidate.
 - e. Send letters intimating the date and period of training.
 - f. Conduct training programme on completion of training.
 - g. Issue of certificate to each participant.
5. **Methods :** Method is that plan which determines how different activities of the procedure are completed. A method is not related to all steps but only to one step of the procedure. One best method is selected in which a worker feels minimum fatigue and there is increase in productivity. Methods are standardised way of doing work. For e.g. cloth can be manufactured by labour intensive method or capital intensive method. But most efficient is one which will use least amount of scarce resources.

The method of car driving training can be by using a car or by using a computer software in the initial period of training.
6. **Rule :** Rules clearly indicate what is to be done and what is not to be done in a particular situation. Strict actions can be taken against persons who violate the rules. Rules are guideline designed to guide behaviour. For e.g., there can be rule of 'Keep Silence' in a library or 'No smoking' in a factory.
7. **Budget :** It is a statement of expected results expressed in numerical terms. A budget is a type of plan expressed in financial terms or in terms of labour hours, units of product, machine hours etc. Budgets are quantitative statements indicating expected results and expenditure required for achieving the goal. For e.g., Cash budget estimates the expected cash inflow and cash outflow over a period of time.

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- 8. Programme :** A programme is a plan laying down the what, how, who and when of accomplishing a specific job. The programmes are made to get a systematic working in the organisation. Programme is a scheme designed to accomplish a specific objective. It spells out clearly the steps to be taken, resources to be used, and time period within which the task is to be completed. A programme usually includes a set of objectives, policies, procedures, methods, budgets etc. e.g. developing a new product, training programme, advertising programme etc.



INTEXT QUESTIONS 11.3

- Identify the plan which is numerical and can be expressed in monetary terms.

a) objective	b) strategy
c) budget	d) policy
- A company formulated a plan to conduct training for 6 months. What type of plan is it?

a) objective	b) programme
c) budget	d) none of the above
- A company frames a plan which mentions that workers should punch their entry card before 10:15 a.m. What type of plan is it?

a) objective	b) rules
c) budget	d) none of the above

11.7 ORGANISING

Organising is the next important function of management after the planning. You know that in case of planning a manager decides what is to be done in future. In case of organising, he decides on ways and means through which it will be easier to achieve what has been planned. Suppose, it is planned to start a new plant for soft drinks within six months. The immediate task for the manager then is to identify and assign the various tasks involved, and devise structure of duties and responsibilities so that things move smoothly and the objective is achieved. All these tasks form part of organising function. Thus, organising refers to the process of :

- Identifying and grouping the work to be performed.
- Defining and determining responsibility and authority for each job position.
- Establishing relationship among various job positions.
- Determining detailed rules and regulations of working for individuals and groups in organisation.

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11.8 IMPORTANCE OF ORGANISING

Organising is essential because it facilitates administration as well as operation of enterprise. By grouping work and people properly, production increases, overload of work is checked, wastage is reduced, duplication of work is restricted and effective delegation becomes possible. Secondly, organising facilitates growth and diversification of activities through clear division of work. It helps in developing a proper organisation structure and the extent and nature of decentralisation can be determined. In addition to the above, organising also provides for the optimum use of technical and human resources. It also encourages creativity and enhances interaction among different levels of management which leads to unification of efforts of all.

11.9 PROCESS OF ORGANISING

The process of organising consists of the following steps –

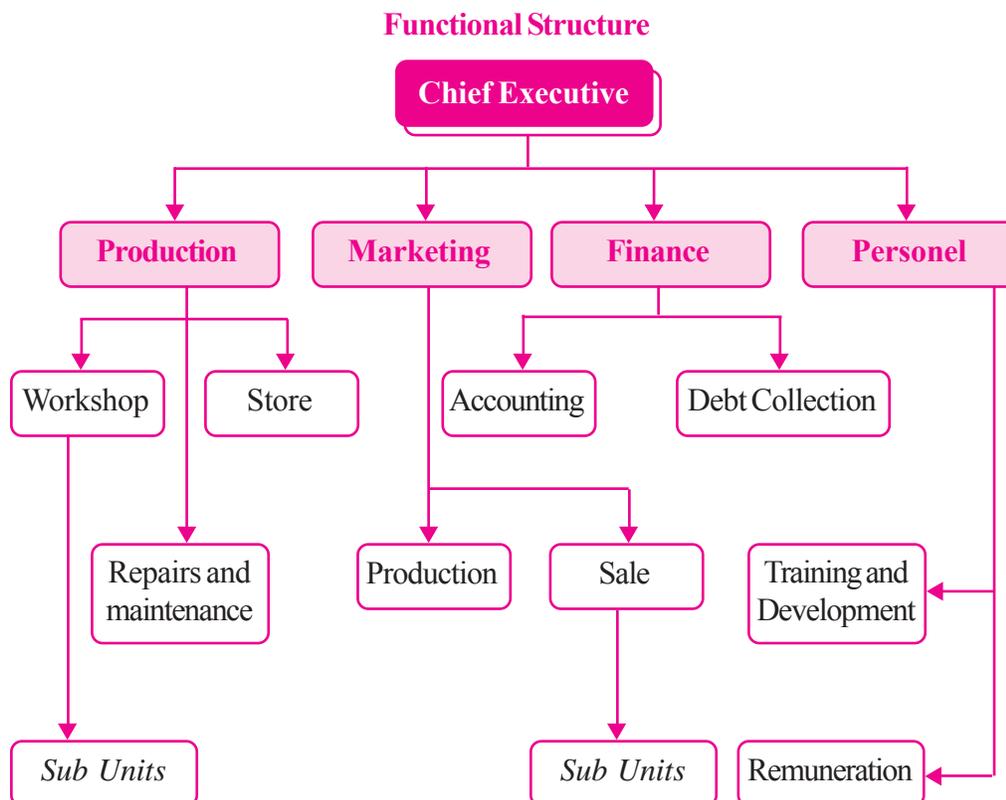
1. **Identification of activities :** Every enterprise is created with a specific purpose. Based on this, the activities involved can be identified. For example, in a manufacturing firm, producing goods and selling them are the major activities in addition to routine activities like, paying salary to employees, raising loans from outside, paying taxes to the government etc. and these activities vary when the organisation is a service concern or a trading firm. Therefore, it is essential to identify various activities of an enterprise.
2. **Grouping of activities :** Once activities are identified, then they need to be grouped. They are grouped in different ways. The activities which are similar in nature can be grouped as one and a separate department can be created. For example – activities undertaken before sale of a product, during the sale of the product and after the sale of the product can be grouped under the functions of a marketing department. Normally, all activities of a manufacturing unit can be grouped into major functions like purchasing, production, marketing, accounting and finance, etc. and each function can be subdivided into various specific jobs.
3. **Assignment of Responsibilities :** Having completed the exercise of identifying, grouping and classifying all activities into specific jobs, they can be assigned to individuals to take care of.
4. **Granting authority :** On the basis of responsibilities given to specific individuals, they are also to be given the necessary authority to ensure effective performance.
5. **Establishing relationship :** This is a very important job of management as everybody in the organisation should know as to whom he/she is to report, thereby establishing a structure of relationships. By doing so, relationships become clear and delegation is facilitated.

11.10 ORGANISATION STRUCTURE

The process of organisation culminates into an organisation structure which constitutes a network of job positions and the authority relationships among the various positions. The various factors that are usually taken into consideration for designing a good organisation structure are job specifications, departmentation, authority-responsibility relationships, etc. The whole structure takes the shape of a pyramid (look at the type of structure that follow) and broadly indicates the tasks assigned, the hierarchical relationships and the patterns of communication and coordination. Based on the arrangement of activities, two most commonly used forms of organisation structure are (1) functional structure, and (2) divisional structure. These are discussed as under.



- 1. Functional Structure :** An organisation structure formed by grouping together all activities into functional departments and putting each department under one coordinating head is called functional structure. Thus, in any industrial enterprise the functions like manufacturing, marketing, finance, personnel may constitute the major separate units (departments) of the enterprise; and in case of a large retail store purchasing, sales and warehousing may be the major units. It may be noted that the major units use are further divided into sub-units. For example, the manufacturing department may be sub-divided into stores, repairs, maintenance, production, etc.



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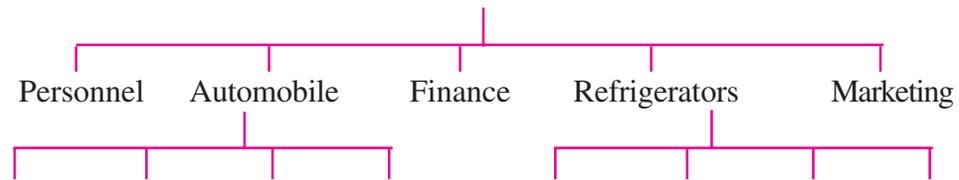
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This form of organisation structure helps in developing functional specialisation in each unit duly headed by an expert in that functional area. This facilitates the coordination within the department since all are fully familiar with the various activities involved. However, this type of structure is considered suitable for small and medium size organisations. In case of large organisations, the units become too unwieldy and difficult to manage.

- Divisional Structure :** In large organisations dealing in multiple products and serving a number of distinctive markets, the divisional structure is considered more suitable. Under such structure the organisation is divided into units entrusted with all activities related to different products on different territories (markets). Each divisional head is required to look after all functions related to the product or market territory.

Divisional Structure (Product based)

Chief Executive



Personnel Production Marketing Accounting Personnel Production Marketing Accounting

Under divisional structure, most activities associated with a product or product group can be well coordinated and its profitability easily ascertained. Moreover, it provides opportunity to divisional managers to take prompt decisions and resolve all sorts of problems without much difficulty. However, this structure is expensive and gives rise to duplication of efforts.



INTEXT QUESTIONS 11.4

- What is meant by the functional structure of organisation?
- Arrange the following steps of organising in proper sequence in the table given below.
 - Assigning responsibility.
 - Identification of activities to be done.
 - Granting authority.
 - Establishing relationships among individuals and groups.
 - Grouping and sub-dividing activities within each function on the basis of similarity or relatedness.

11.11 FORMAL AND INFORMAL ORGANISATION

Formal organisation refers to the officially established pattern of relationships among departments, divisions and individuals to achieve well-defined goals and is a consciously designed structure of roles. In other words, formal organisation clearly spells what a person has to do, from who he has to take orders and what rules, policies and work procedures are to be followed. Thus, it is a system of well defined jobs, each bearing a definitive measure of authority, responsibility and accountability. This promotes order and facilitates planning and controlling functions.



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Informal organisations on the other hand, refers to relationship between individuals in the organisation based on personal attitudes, likes and dislikes and originates to meet their social and emotional needs and develops spontaneously. It represents natural grouping of people in work situation and is supplementary to formal organisation as it serves the needs not satisfied by formal organisation. The formal organisation does not provide opportunity to members to exchange personal views and experiences and so they interact informally to fulfill such interest and needs. In fact, informal organisation comes into being because of the limitations of the formal structure and both are interlinked. However, they differ in respect of their origin, purpose, structure, authority, channels of communication and behaviour of members.

11.11.1 Difference between Formal and Informal Organisations

<i>Formal Organisation</i>	<i>Informal Organisation</i>
1. It is created by the top management.	It is not created by top management. It arises out of the natural desire of the people to associate.
2. It is created to get the jobs of an organisation performed in a planned and systematic manner.	It is formed to satisfy those needs of members which can not be satisfied through formal organisation.
3. It is managed by officially appointed managers.	Members of the informal group select some one as their leader to take care of the interests of the group members.
4. Managers of formal organisation have formal authority.	The authority of the leader of the informal group depends upon the combined support of group members.
5. Formal organisation is permanent and stable.	Informal organisation is of temporary nature. It changes its size and membership from time to time.

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11.12 DELEGATION

In organisations, it is difficult on the part of a manager to complete all the jobs assigned to him. He thus, can take help from others by asking them to do some of the work in a formal way. It means, he can assign some of the work to his subordinate and give them authority to carry on the work and at the same time make them accountable. For example, a production manager may have the target to produce 1000 units in a weeks time. He can distribute his work to three of his subordinates to produce 250 units each and keep 250 units for self to produce. And then he must also give them enough authority to use organisational resources to produce. By doing so he also makes his subordinates answerable to him for non-performance.

This active process of entrustment of a part of work or responsibility and authority to another and the creation of accountability for performance is known as delegation. Thus, there are three elements of delegation as follows.

1. **Assignment of Responsibility :** This is also known as entrustment of duties. Duties can be divided into two parts: one part, that the individual can perform himself and the other part, that he can assign to his subordinates to perform.
2. **Granting Authority :** Authority refers to the official powers and position required to carry on any task. When duties are assigned to subordinates then the required authority must also be conferred to him. For example, when a manager asks his subordinate to receive a guest of the company on his behalf then he must also grant him some authority like carry the company vehicle, booking the company guest house for accommodation etc.
3. **Creating Accountability :** This refers to the obligation on the part of the subordinates, to whom responsibility and authority are granted to see to it that the work is done. In other words, the delegatee is fully answerable to his superior for performance of the task assigned to him. Thus, the superior ensures performance through accountability by his subordinate.

11.12.1 Importance of Delegation

Delegation is considered as one of the most important elements in the process of organisation because, it reduces the load on managers as work is successfully shared by the subordinates. This improves the managerial effectiveness because by delegating a good part of work to the subordinate the managers are able to concentrate on important matters which requires personal attention. Not only that, the organisations now-a-days are usually large in size and complex in character, and no manager can claim to have all the skills and expertise to handle all kinds of jobs himself. Moreover, the business activities are spread over a larger area with several branches and units, which makes it

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difficult for him to supervise all the activities personally at all places. The delegation of responsibility with commensurate authority offers a good workable solution. This also provides an opportunity for subordinates to develop, and motivates and prepares them for taking up higher responsibilities in future. It leads to creating a healthy work environment and harmony among the employees. Thus, delegation facilitates organisational growth and prosperity.

11.13 DECENTRALISATION

Decentralisation refers to a systematic effort to delegate authority at all levels of management and in all departments. This shifts the power of decision making to lower level under a well considered plan. Take the case of traffic police controlling movement of vehicles on road. He holds a lower level position in the organisation yet he has lot of authority given to him. The senior concentrate on ways and means to improve traffic control. In case of business units, the heads of departments have the authority to take decisions on most matters relating to the functioning of their department. The top managers are confined themselves to policy decisions like product lines to be added, further investment etc.

Decentralisation has number of benefits. Firstly, it reduces the workload of the top level management. Secondly, it motivates the employees and gives them more autonomy. It promotes initiative and creativity. It also helps employees to take quick and appropriate decisions. In this process, the top management is freed from the routine jobs and it enables them to concentrate on crucial areas and plan for growth.

11.13.1 Distinction Between Delegations and Decentralisation

Decentralisation is not same as delegation. The points of differences are -

- While delegation is the process of assigning responsibility and authority and thereby creating accountability; decentralisation is the ultimate outcome of planned delegation.
- Delegation of authority takes place between the manager and his subordinates while decentralisation involves the entire organisation, and is between top management and divisions/departments.
- Delegation is done to speed up the work and is essential in trace; while decentralisation is optional and is usually done in large scale organisations.
- In case of delegation the responsibility and authority delegated may be withdrawn by the delegator; which is not so easy in case of decentralisation.

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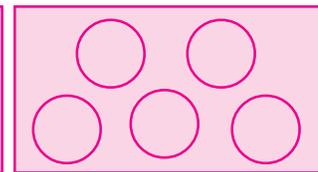
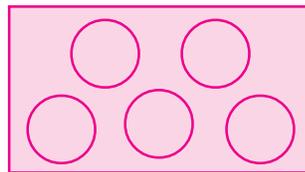
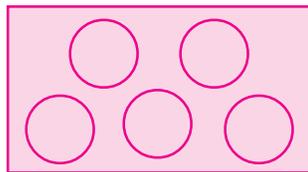
INTEXT QUESTIONS 11.5

- Identify the following as formal or informal organisation.
 - Students enjoying a picnic in a park.
 - Workers of the Health department are engaged in cleaning the roads.
 - People gathered for marriage party.
 - Workers of Production department working at the machines.
 - Tutors of NIOS PCP classes tutoring.
- Following is a list of decisions to be taken by a manager of an organisation. Write against each what kind of authority is needed for the decision-making.
 - Production manager giving instructions to Foreman for target output.
 - Head of Engineering department giving instructions regarding security norms to be kept in mind.
 - Head of the marketing research unit asking for some value addition to the product.
 - Personnel manager recommending names for recruitment in the sales department.
 - The Chief Executive Officer asking General Manager to ensure 25% reservation in recruitment.

Line

Staff

Functional



WHAT YOU HAVE LEARNT

- Planning is deciding in advance what is to be done and how it is to be done.
- Planning is a primary function of management. It is all pervasive, intellectual, futuristic and continuous activity. It is a flexible activity dealing with making choice when many alternatives are available.

Planning and Organising

- Planning is very important function of management. It helps in achieving economy, efficiency, coordination and facilitates proper control.
- Planning process:
 - ▶▶ establishment of objectives
 - ▶▶ making assumptions about external and internal conditions
 - ▶▶ development of alternative course of action
 - ▶▶ evaluation of alternatives
 - ▶▶ selecting the appropriate course of action
 - ▶▶ arranging for implementation.
- Planning suffers from several limitations : rigidity, probabilistic, expensive and time consuming, delay in actions, misdirection, false sense of security.
- Objectives are the aims which an organisation seeks to achieve.
- Strategy indicates the desired future of an organisation.
- Policy define the boundaries within which decisions can be made and they direct decisions towards the accomplishment of objectives.
- Procedures are chronological sequence of steps to be taken to implement policies.
- Methods are standardised way of doing work.
- Rules are guidelines designed to guide behaviour.
- Budgets are quantitative statements indicating expected results and expenditure required for achieving the goal.
- Programme is a scheme designed to accomplish a specific objective.
- Organising is the next important function of management after planning. It refers to identifying and grouping the activities to be performed, defining the responsibility and authority for each job position, establishing relationships between various job positions and determining detailed rules and regulations of working.
- An organisation structure formed by grouping together all activities in to functional departments and putting each department under one coordinating head is called functional structure.
- When the organisation is divided into units entrusted with all activities related to different products or on different territories, it is called divisional structure.
- Delegation is the process of entrustment of part of work or responsibility and requisite authority to another person and creating accountability for performance.

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Notes

Planning and Organising

- Decentralisation is the effort to delegate authority at all levels of management.
- Formal organisation refers to the officially established pattern of relationship among departments, divisions and individuals to achieve well-defined goals. Informal organisations on the other hand, refers to relationship between individuals in the organisation based on personal attitudes, likes and dislikes and originates to meet their social and emotional needs and develops spontaneously.
- Authority means the right to take decision, right to issue orders and right to take action if orders are not carried out. On the basis of the nature, it can be of three types viz., Line authority, Staff authority and Functional authority.



KEY TERMS

Accountability	Functional authority	Planning
Authority	Functional structure	Planning premises
Decentralisation	Informal organisation	Responsibility
Delegation	Line authority	Staff authority
Formal organisation	Organising	



TERMINAL EXERCISE

Very Short Answer Type Questions

1. List any two limitations of planning.
2. Name any two types of plan.
3. Define the term Organising.
4. What is meant by planning premises?
5. Explain the meaning of authority.
6. Define the term delegation.
7. Give the meaning of decentralisation.

Short Answer Type Questions

8. State the different steps of planning process.
9. Differentiate between external and internal planning premises.
10. What is functional authority? How is it different from line authority?

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11. State the different elements of delegation.
12. Mention the different steps of organising.
13. Why rule should be considered as a plan?
14. Write short notes of 'Procedure'.

Long Answer Type Questions

15. Explain the features of planning.
16. What is meant by planning? Describe any four points of importance of planning.
17. What is organising? Describe the steps in the organising process.
18. Explain the meaning of formal and informal organisations. What are the differences between these two?
19. If a person is responsible for supervising employees, why must that person have authority?
20. Write short notes on Rules, Procedures, Budget and Programme.
21. Explain 'Rules' and 'Methods' as types of plan. Differentiate between the two.
22. Explain the limitations of planning.



ANSWERS TO INTEXT QUESTIONS

- 11.1** 2. Features – (a), (c) Importance - (b), (d), (e)
3. (a), (c), (e)
- 11.2** 1. External Planning Premises - (b); (c); (i); (ii)
- Internal Planning Premises - (a); (iii)
2. 1 (e) 2 (d) 3 (b) 4 (c) 5 (a)
- 11.3** 1. (c) 2. (b) 3. (b)
- 11.4** 2. 1 (b) 2 (e) 3 (a) 4 (c) 5 (d)
- 11.5** 1. Formal - (b), (d), (e) Informal - (a); (c)
2. Line- (a); (e) Staff - (b); (c) Functional - (d)

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MODULE - 5*Functions of
Management**Notes***Planning and Organising****DO AND LEARN**

Visit the nearest grocery shop and ask the shopkeeper to list the activities he did to set up his shop. Now differentiate the activities into planning and organising.

**ROLE PLAY**

Aditya and Abhinandan studied together. After finishing their studies they started their own business at different places. They do not find time to meet each other. Whenever Aditya fixes up a meeting Abhinandan excuses himself saying there is a problem in the organisation. Aditya visited him one-day in his office.

Aditya : Abhinandan! Why there is always a problem in your organisation?

Abhinandan : Well, I can't make out! I have good number of people working for me in different areas. But, there is a confusion and argument about who has authority, responsibility and accountability in respect of different activities.

Aditya : Have you ever sit down and listed all the activities of your organisation? Grouped them? Assigned specifically to each of them?

Abhinandan : No! But how will it help?

Aditya : Friend, what you need is not only number of people but also ensure that activities are properly identified, grouped and assigned to competent people.

Abhinandan : Means?

Aditya : Means, proper organisation.

(Thereafter Aditya explained to Abhinandan about the importance of proper organisation)

Place yourself as Aditya and one of your friends as Abhinandan and continue the conversation.

12

STAFFING

*Notes*

In a small business unit, like a grocery shop, the owner may not need others to help him in running the shop, as he may himself be able to look after all the activities. But as the business grows in size he may find it difficult to manage all the activities alone and may have to find out suitable persons and employ them. It is quite possible that you may start your own business and face such a situation and employ people to assist you in running the business. Alternatively, you yourself may be a job seeker. In both the situations, you may find it useful if you know how employees are recruited, selected and trained for the various positions in an organisation. In this lesson, you will learn in detail about the staffing function including the sources of recruitment, the process of selecting the employees with the importance of training and development and the various methods of their training.

**OBJECTIVES**

After studying this lesson, you will be able to:

- explain the meaning and importance of staffing;
- identify the steps involved in the process of staffing;
- describe staffing as a part of Human Resource Management;
- state the meaning of recruitment;
- explain the process of selecting employees;
- explain the meaning & importance of training and development;
- describe various methods of training and
- outline the methods of performance appraisal, compensation, promotion and transfer.

MODULE - 5*Functions of
Management***Staffing****Notes****12.1 MEANING OF STAFFING**

Staffing refers to the managerial function of employing and developing human resources for carrying out the various managerial and non-managerial activities in an organisation. This involves determining the manpower requirement, and the methods of recruiting, selecting, training and developing the people for various positions created in the organisation. This, in fact happens to be a continuous process because the organisation's need to retain and update its personnel is a never ending exercise. The managers have to keep a regular watch on the number and composition of the personnel needed by the organisation, because the requirement of manpower keeps on changing and expanding with the expansion of activities and additions of new departments and work units. Not only that, at any point of time, some people will be leaving, retiring, getting promotion or transferred. The vacancies thus created have to be filled up.

It may be noted that staffing function is an integral part of human resource management and, in its wider sense, also includes the activities of determining the remuneration of workers, appraising their performance, and deciding on their promotion, transfers, etc.

12.2 IMPORTANCE OF STAFFING

All of us know that it is the people in every organisation who run the show successfully. For example, if you do not have good salesman you cannot sell well even if your product is good. Similarly, you may have the best quality raw materials, machines etc. but the quality of the product is not assured unless, you have good workers engaged in the production process. Staffing thus, as a function, is very important as it is through this process that we get right persons for the organisation and ensure that they stick to the organisation. The benefits of good staffing are as follows.

- (a) It helps in getting right people for the right job at the right time. The function of staffing enables the manager to find out as to how many workers are required and with what qualifications and experience.
- (b) Staffing contributes to improved organisational productivity. Through proper selection the organisation gets quality workers, and through proper training the performances level of the workers can be improved.
- (c) It helps in providing job satisfaction to the employees keeping their morale high. With proper training and development programmes their efficiency improves and they feel assured of their career advancements.
- (d) Staffing maintains harmony in the organisation. Through proper staffing, individuals are not just recruited and selected but their performance is regularly appraised and promotions made on merit. For all these, certain rules are made and are duly communicated to all concerned. This fosters harmony and peace in the organisation.

Staffing as a Part of Human Resource Management

Human Resource Management (HRM) is a broad concept, whereas staffing is a part of it. HRM is the art of procuring, developing and maintaining suitable persons to achieve the goals of an organisation in an effective way. It is the way of optimising human competence at the workplace so that the goals of an organisation are accomplished effectively.

Human Resource Management is that part of management process which develops and manages the human element of the enterprise considering their knowledge, skills, creative abilities, talents and potential for contributing to the organisational objectives. HRM is a broader concept.

Human Resource Management includes human resource planning, recruitment, selection, placement and training of workers, performance appraisal, motivation of work force, remuneration of workers, welfare of employees etc. So staffing is a part of human resource management.

12.3 PROCESS OF STAFFING

The process of staffing starts with ascertaining the required number of various categories of employees for the organisation. This is known as manpower planning. It decides the kinds of staff and the number of staff required for the organisation. This is done through several methods like job analysis, workload analysis, etc. The next thing to be done in the staffing process is the recruitment exercise, i.e., finding out the available manpower from internal and external sources. The next step is to select the right person from the available manpower through tests and interviews and make appointments. This is followed by their placement on the jobs and necessary introduction of the work environment and the rules of compensation, promotion, transfer etc. Thus, the various steps involved in the process of staffing are as follows.

- | | |
|------------------------------|----------------------------|
| (a) Manpower Planning | (b) Job Analysis |
| (c) Recruitment | (d) Selection |
| (e) Placement | (f) Induction |
| (g) Training and Development | (h) Performance Appraisal |
| (i) Compensation | (J) Promotion and Transfer |

Let us now discuss these aspects briefly to gain more clarity.

12.3.1 Manpower Planning

Manpower planning refers to the process of estimating the manpower requirement of an organisation. While estimating the manpower requirement, the management generally



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keeps in mind the available infrastructure including the technology, production schedule, market fluctuation, demand forecasts, government's policies and so on. It tentatively decides the kinds of staff as well as the number of staff needed for the organisation. The focus of the manpower planning is to get right number of qualified people at the right time.

12.3.2 Job Analysis

In the context of recruitment, one must be conversant with another important aspect of manpower planning viz, job analysis, which is a pre-requisite for any recruitment exercise. The job analysis helps in determining the qualifications, skills and experience required for various categories of employees. It involves:

- (i) identification of each job in terms of duties and responsibilities, (called job description) and
- (ii) determining the abilities and skills that are required for performing the job (called job specification).

These two aspects of job analysis (job description and job specification) are useful in recruitment and selection of employees so as to find the right person for the job.



INTEXT QUESTIONS 12.1

1. Write true/false against each of the following:
 - (a) Staffing is just determining the number of people required in the organisation.
 - (b) Determining the size and categories of personnel required is called human resource planning.
 - (c) Staffing is a one-time process as people have to be appointed only once.
 - (d) Staffing includes human resources management.
 - (e) The management function which helps in getting the right persons for the organisation and ensuring that they stick to the organisation is called staffing.
2. Match the following:

(a) Job analysis	(i) Determining the size and categories of personnel required
(b) Job description	(ii) Determining the qualifications, skills and experience of the employees required for various categories of employees.
(c) Job Specification	(iii) Determining the abilities and skills required for performing the job.
(d) Human resource	(iv) Identification of the job in terms of duties and planning responsibilities.

12.3.3 Recruitment

Suppose you want to open a restaurant. After planning and organising you are aware of the various job positions that are required to be filled up. Let us say, you have assessed your requirement for a general manager, a chef, an accountant, and many other staff for home delivery of foods. Possibly, you have a list of persons interested to join your restaurant. For example, your uncle has promised you to provide an experienced general manager. The manager of the bank from where you have taken loan has referred an accountant to you. One of the chief cooks of a reputed hotel has already approached/talked to you to join your restaurant as a chef. In addition to all these, you know that there is an office that can provide you people of your requirement by charging a fee, whenever you ask for it. You also know that an advertisement in the newspaper can help you in getting applications from many people. While engaging yourself into all these activities you are basically trying to make a pool of suitable/interested applicants for the job. In other words you are recruiting the staff for your business.

*Notes*

The term recruitment is often used to signify employment. It is true that normally when we say we have recruited such and such persons, it signifies that we have employed them. But as a part of staffing function, the term recruitment has limited scope. It just refers to one of the initial steps in employment of people i.e., searching for suitable candidates for the various job positions to be filled up from time to time in the organisation. Thus, **recruitment is the process of finding and attracting suitable applicants for employment.**

Sources of Recruitment

Having determined the qualification and experience required for various jobs involved, one has to search for the suitable persons and receive their applications. For this purpose one has to have an idea as to where such persons are available. In other words, one must be aware of the sources of recruitment before publicising the specific staffing needs and induce the suitable persons to apply for the job positions involved. These sources can be internal and external.

(A) Internal Sources : In any business, existing employees expect that they will have chances of promotion and will be considered for higher positions before outsiders are considered. Managers, therefore may promote and transfer some of the existing employees to fill the vacant positions. The advantage of internal recruitment is that it is easier for managers to fill vacancies as they are conversant with the abilities and skills of their subordinates and have records of their performances. Employees also feel happy as their work performance is recognised by management through promotion. However, there is one major drawback of recruitment through internal sources i.e., the organisation is deprived of the benefit of inducting fresh blood into its system.

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(B) External Sources : All vacancies cannot be filled up from within the organisation. Existing employees may lack the required skill, initiative and qualification needed for the jobs involved. Hence managers have to recruit some persons from outside the organisation. Not only that the external recruitment provides a wide choice from among a large number of external candidates from which employees may be recruited. The workers and office employees at the lower level are often recruited from outside the organisation. The various external sources of recruitment are as follows :

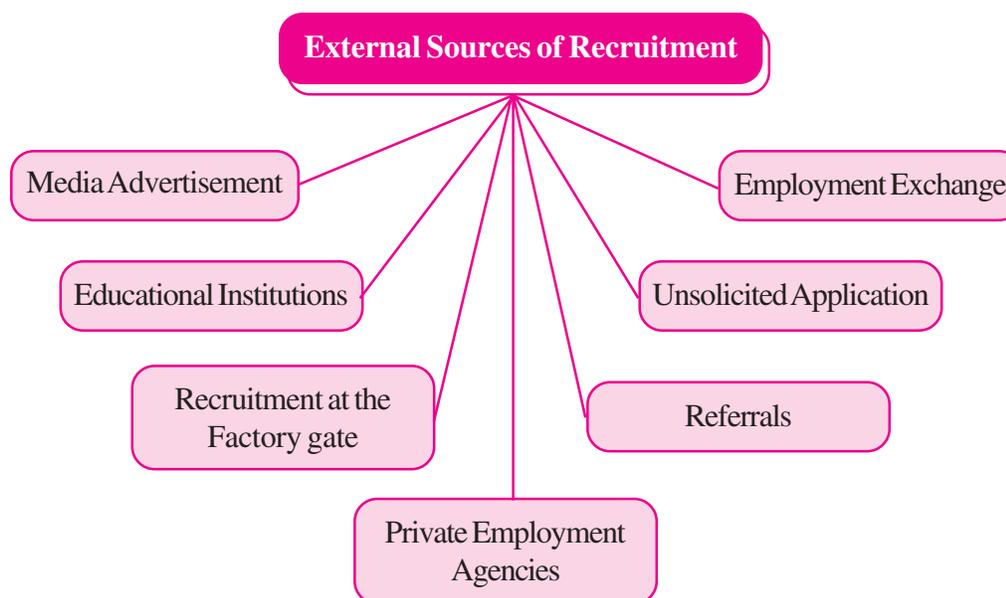
- (a) Media Advertisements :** You must have seen advertisements in newspapers about vacancies in organisations. The advertisement contains details about the job, its nature, the qualification required to do the job, how to apply, etc. This is a very popular medium of advertising. The job advertisements are also given in magazines, specialised employment magazines like Employment News, Rozgar Samachar, etc. Now-a-days we also commonly find such advertisements in various electronic media like television and Internet. Such advertisements normally get a very good response from the prospective candidates.
- (b) Employment Exchanges :** In India, employment exchanges have been set up by the government for bringing together job-seekers and employers who are looking for employees. Those who are in search of employment get themselves registered with the local Employment Exchanges which keep a record of all such persons in detail who require help in finding jobs. The employer informs about the vacancies to the nearest Employment Exchange. The Employment Exchange, in turn, identifies the names of the qualified employment seekers already registered with it, and forwards them to the employer for consideration. Thus, if you are seeking a job after passing the senior secondary examination, it would be better if you get yourself registered with an Employment Exchange. It may forward your name to the prospective employers keeping in view the suitability of the job as per your qualifications.
- (c) Educational Institutions :** Now-a-days, companies/big organisations maintain a close liaison with the universities, vocational institutes and management institute for recruitment of their staff. As and when the need arises, the companies send one or more of their senior executives to the institutions of repute imparting such professional/technical education to students. These executives take the interview of the interested candidates and select the suitable candidates as per their requirement. This process is popularly known as campus interview and is found to be an effective source of recruitment of managers, engineers, technicians etc. for many companies on a regular basis.



- (d) **Unsolicited Application :** Those looking for jobs often apply on their own initiative. They assume that certain vacancies are likely to arise, and apply without references to any job advertisement. Managers keep a record of such applications and contact the suitable candidates when they need them.
- (e) **Recruitment at the Factory gate :** This is found mainly in case of factory workers to be recruited on daily wages. Such workers gather in the morning at the factory gate to serve as casual workers. Very often existing regular employees go on leave, and their vacancies are filled up by recruitment at the factory gate. These casual workers having served in the factory for some time may be considered for regular employment at some stage.
- (f) **Referrals :** Quite often the management gets references about interested workers from different sources like workers unions, previous employees, existing employees, clients of the organisation etc. These sources are important because their recommendations are made by people who are associated with the organisation and are fully conversant with its requirements.

Sometimes we also receive recommendations from our friends and relatives to employ persons known to them. But one should be very much cautious while considering such recommendations.

- (g) **Private Employment Agencies :** In urban areas, a number of private organisations have started functioning as employment agencies. These agencies register with them the names of the individuals who are seeking employment and try to arrange job interviews for such candidates. Companies often get in touch with such agencies to provide them the details of suitable candidates for various jobs.



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Management***Staffing***Notes***INTEXT QUESTIONS 12.2**

1. Which one of the following is an internal source of recruitment?
 - (a) Media advertising
 - (b) Promotion
 - (c) Campus interview
 - (d) Reference
2. 'Reference' in recruitment refers to:
 - (a) Using influence to get the job.
 - (b) Referring to the newspaper to find a vacancy.
 - (c) Recommendations from different sources.
 - (d) Asking for an inter-departmental transfer of an employee.
3. Identify the method of recruitment in which the companies recruit candidates directly from professional or technical institutions.
 - (a) Employment exchanges
 - (b) Factory gate.
 - (c) Media advertising.
 - (d) Campus interview

12.3.4 Selection

When an adequate number of applications/names of interested candidates have been collected through the recruitment exercises, the selection process starts. Selection refers to the process of choosing the most suitable person from among the list of interested candidates. It involves going through the qualification and experience of all candidates and matching them with the expectation for the job so as to decide on the most suitable ones for the job. The entire process goes through a number of steps which may be called as selection procedure.

Selection Procedure

As stated above, the selection procedure consists of a number of steps in logical order to identify the candidates who are to be finally appointed. These steps are :

- | | |
|--------------------------------|-------------------------|
| (a) Screening the applications | (b) Holding tests |
| (c) Selection interview | (d) Checking references |

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- (e) Medical examination of the candidates
- (f) Issue of appointment letter

Let us discuss all the steps in brief.

(a) Screening the Applications : After receiving the applications from the candidates through recruitment process, the same must be examined to decide which ones deserve to be considered and followed up. Normally, the candidates are asked to apply in their own handwriting on a plain paper. Sometimes the job advertisement mentions the particulars to be given in the application. In many cases the candidates are required to apply in the prescribed form of the company, containing particulars of name, address, nationality, religion, mother tongue, date and place of birth, marital status, education and training, employment history, references etc. Screening exercise involves checking the contents of the applications so as to ascertain whether or not the minimum eligibility conditions in respect of age, experience, qualifications and skills are fulfilled by the candidates who have applied for the job. Screening is usually done by a senior officer of the company or by a screening committee. The purpose of screening is to prepare a list of eligible candidates who are to be evaluated further. Candidates not eligible are thereby excluded from further consideration.

(b) Holding Tests : After screening the applications, eligible candidates are asked to appear for selection tests. These tests are made to discover and measure the skill and abilities of the candidates in terms of the requirements of the job. For instance, if the job of a typist requires a minimum typing speed of 40 words per minute, a test is given to see whether the candidates applying for the job have the required typing speed. Passing the test by a candidate does not mean that he will be employed. It implies that all those who have passed the test are qualified for further processing and those who have failed are not to be considered.

The nature of test depends upon the nature of the job involved. For clerical jobs, for examples, an intelligence and aptitude test may be arranged which may include test of general knowledge, test on quantitative problems, and test of reasoning power and vocabulary. For industrial workers and technical hands, performance tests may be organised. For example, to judge the speed and accuracy of typing, candidates may be given a standard paragraph to type. Similarly, candidates for an auto mechanic job may be asked to replace a piston. This is known as Skill or Trade test. For supervisory and managerial jobs, tests are given to find out the candidate's personality, decision-making abilities, etc.

(c) Selection Interview : Interview is the most important part of the selection procedure. It serves as a means of checking the information given in the application form and making an overall assessment of the candidate's suitability for the job. In

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an interview, the candidate has a face-to-face interaction with the employer or representatives of the employer, where they try to judge the ability of the candidates. They also get an opportunity to go into the details of the candidate's background which helps a lot in assessing the candidates suitability.

- (d) **Checking of References :** In addition to the requisite educational qualification, skill and experience, it is expected that the candidates who are to be considered for employment must have other qualities like balanced temperament, honesty, loyalty, etc. These qualities cannot be judged on the basis of any test. Therefore, information is obtained and verified from the heads of educational institutions where the candidates have studied, or from the persons whose names are given by the candidates as referee, or from their previous employers. For certain jobs, like the job of a cashier or a security guard, reliability is very important job requirement. Therefore, references are required to be contacted to ensure that persons can be relied upon. In case of experienced employees their previous employers can also be contacted for this purpose.
- (e) **Medical Examination :** Candidates finally selected for the job are asked to undergo medical examination to see whether the selected candidates are physically fit for the job. A proper medical examination ensures higher standard of health of the employees and their physical fitness which, in turn, reduces the labour turnover, absenteeism and accidents.
- The medical examination would also reveal whether he/she suffers from any illness which can be cured e.g., poor eyesight etc. Medical test is essential for certain types of jobs as in the case of police and army, where physical fitness is very important. For certain categories of jobs like the job of driver, proper eyesight is very much essential.
- (f) **Issue of Appointment Letter :** Candidates finally selected are offered to join the organisation for which a formal appointment letter is issued containing the nature of job, the remuneration, pay scale, and other terms and conditions relating to employment. Usually a reasonable time is given to the candidates to join the organisation.

Probation period: In most of the organisations the candidates are not initially appointed on permanent basis because it is considered better to try them for a few months on the job itself. This period of service is known as the period of probation. It is necessary because no procedure of selection can fully establish the qualities of a selected candidate. It is only by observing a person at work that one can find out how he performs and also how he behaves with his superior and fellow employees. If during the probation period, his performances not found satisfactory, his period of probation may be extended. The management may also transfer him to some other job at which he may be expected to do better.

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Though a number of steps in the selection procedure have been listed, all the steps need not be followed in all cases. For example, for employing casual workers on daily wages, simply an interview by a company's officer is sufficient. Whereas for the job of a typist or clerk, screening of applications, holding tests and interview will be essential. Similarly, for the job of a cashier, checking of references may also be needed.

Difference between Selection and Recruitment

We have noted recruitment and selection are the two essential components of the staffing process. While the recruitment helps in attracting suitable candidates, selection helps in finding out the candidates who meet the requirements of the job. These are closely inter-connected activities. However, recruitment and selection differ in certain respects. While the recruitment refers to the process of attracting good applicants for jobs, selection identifies the most suitable amongst the applicants. In the recruitment process, the effort is to attract the candidates as many as possible and it is regarded as a positive process. But, selection is a negative process as it involves rejection of many candidates. Recruitment involves decisions as regard to the sources of potential candidates. Selection is made through different steps in the procedure adopted. Recruitment helps the manager to attract good candidates, the selection leads to making the right choice.

12.3.5 Placement

If the selected candidate decides to join the organisation, he/she has to report to the concerned authority and formally joins the organisation by giving his consent in writing. Then he/she is placed to perform specific job. Thus, placement refers to selected candidate's joining the positions in the organisation for which they have been selected. The appointment of every candidate is followed by a record of particulars of employment. Such records is properly maintained and described as employment record. It serves a useful purpose on many occasions like selection of employees for training, promotion, increments etc.

12.3.6 Induction

Induction is the process of introducing new employees to the organisation. The new employees should know under whom and with whom he/she is to work, get acquainted and adjusted to the work environment, get a general idea about the rules and regulations, working conditions etc. Usually the immediate supervisor of the new employee introduces him to his work environment. A proper induction programme is likely to reduce his anxiety on how to cope with the work and how to become part of the organisation and helps in development of a favourable attitude towards the organisation and the job.

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Management***Staffing****INTEXT QUESTIONS 12.3****Notes**

1. Identify the following:
 - (a) The process of choosing the most suitable person from among a list of interested candidates.
 - (b) Letter issued to the selected candidate.
 - (c) Tests organised for industrial/technical workers.
 - (d) Face to face interaction of the candidate with the employer or his representatives.
 - (e) The examination which the candidates finally selected for the job are asked to undergo.
 - (f) The period of service for which the candidates are not appointed on a permanent basis but tried for a few months on the job.
 - (g) The process of familiarising the new employees with the new job.
2. Fill in the blanks with the words 'selection' or 'recruitment'.
 - (a) _____ is the process of attracting applicants for the job while _____ starts only after applications have been received.
 - (b) _____ is a negative process while _____ is a positive process.
 - (c) _____ helps the managers to attract good candidates while _____ requires making the right choice.
 - (d) _____ is made through different steps in the procedure adopted.

12.3.7 Training and Development

Helping the employees to improve their knowledge and skill so as to be able to perform their tasks more efficiently is known as training. It is an organised activity for increasing the knowledge and skills of people for a specific purpose. The term 'development' refers to the process of not only building up the skill and abilities for specific purpose but also the overall competence of employees to undertake more difficult and challenging tasks. It is generally used with reference to the training of managers and executives.

Training and Development

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

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Development refers to the learning opportunities designed to help employees to grow. It involves growth an individual in all areas. Development help workforce to improve technical skills, problem solving skills and decision making skills.

Training is necessary for new employees as well as the existing employees for improving their performance at work. For new employees, training is necessary to help them get acquainted with the method of operation and skill requirement of the job. For existing employees, training at periodical intervals is helpful for learning better ways of doing the work, and also as and when they have to undertake new jobs. Thus, training helps employees to improve their knowledge and skill and make them perform their tasks more efficiently. It also helps them in promotion and improves their attitudes and confidence levels.

Importance of Training and Development

Benefits of training for organisations

1. Less wastage, as a trained worker takes less time in learning and doing a job.
2. Better employee performance leading to higher profits.
3. Better utilisation of men, machines and materials.
4. Develop positive attitude in the mind of workers and motivate work force to take new ventures.
5. Reduce labour turnover and absenteeism.
6. Trained worker will adopt fast to the environmental changes compared to untrained worker.

Benefits of Training to the Employee

1. Improved skills acquired from training bring better career options for workers.
2. Better performance by the worker help him to earn more.
3. Trained worker will have better awareness to handle problems and he will be capable to deal with complex type of work.
4. Training increases the moral of workforce.

Methods of Training

There are different methods of giving training to the employees which can be divided into two broad categories.

- (1) On-the-Job methods, and
- (2) Off-the-Job methods.

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- 1. On-the-Job methods :** In these methods, the employees learn about their jobs while doing the work duly assisted by their supervisors or seniors. These methods encourage self-learning through practice. Job instruction or coaching, and job rotation, learning while working as an assistant to a senior, understudy positions, temporary promotions are some of the common methods of on-the-job training.
- 2. Off-the-Job methods :** These methods involve training employees away from the work place so that experts may conduct the training and employees are free from immediate pressure of completing the jobs at hand. Lectures with demonstration, conferences, case discussions, video shows and films are some of the common methods used as off-the-job training methods. Then, there is another off the job method of training called vestibule training. The vestibule training refers to the training in specially designed workshops in which an attempt is made to duplicate as closely as possible the actual conditions of the work place. In such workshops a large number of employees can be trained in a relatively short period of time.

Difference between Training and Development

<i>Training</i>	<i>Development</i>
1. Training is concerned with teaching technical skills only.	1. Development is concerned in teaching technical, human and conceptual skill.
2. It is suitable for technical staff.	2. It is suitable for managerial staff.
3. It is a short term process.	3. It is a long term process.
4. It teaches technical skills and is meant for non-managerial personnel.	4. It teaches concepts & human skills and meant for managerial personnel.
5. Develop already possessed qualities.	5. Develop hidden qualities and talent of personnel.



INTEXT QUESTIONS 12.4

- Identify the learning opportunity designed to improve skills and abilities of employees.
 - a) training
 - b) development
 - c) recruitment
 - d) selection
- Some learning opportunity in X Ltd. help in the growth of individuals in all respects. Identify it.
 - a) training
 - b) development
 - c) selection
 - d) recruitment

12.3.8 Performance Appraisal

In simple words, performance appraisal means judging the performance of employees. Specifically, it means judging the relative abilities of employees at work in a systematic manner. This enables managers to identify employees who are performing the assigned work satisfactorily, and those who are not able to do so, and why. To be fair, performance appraisal needs to be carried out using the same methods and keeping in view uniform standards of work. Generally it is the responsibility of supervisors to carry out performance appraisal of their subordinates, and report it to their own superiors. He may also have to identify the causes of the performance especially if it has fallen short of the expected performance.

The standard of performance or the expected level of performance of an employee on a job forms the basis of judging how well the employee has performed, and whether one employee is more efficient than the other in doing a similar job. The yardstick placed may be the desired quantity of output, the quality of work done, minimisation of wastage of materials caused in the process of work etc. The choice depends upon the type of job involved. However, where quantity or number of units produced or wastage of materials form the basis of appraisal, it is likely to be more accurate. On the other hand, quality of work done may be difficult to measure and hence performance appraisal may not be very accurate.

12.3.9 Compensation

Compensation is one of the most important factors influencing relations between management and the workers. No organisation can attract and retain qualified employees without offering them a fair compensation.

The term 'compensation' refers to a wide range of financial and non financial rewards to the employees for services rendered to the organisation. It includes wages, salaries, allowances and other benefits which an employer pays to his employees in consideration for their services. Compensation may be divided into two categories:

- (a) Base/primary compensation.
- (b) Supplementary compensation.

Base or primary compensation is a fixed amount paid every month to an employee. It includes wages, salary and allowances paid to an employee irrespective of his performance.

Supplementary compensation refers to the compensation paid to the employees to motivate them to work more efficiently. It is also known as incentive compensation. The incentives may be monetary or non-monetary. The monetary incentives include bonus, commission sales, or profit sharing plans. The non-monetary incentives, on the other hand, include cordial relations with the supervisor, assignment of challenging jobs, recognition etc. Such incentives help the employees to sustain interest in the job and motivates them to work hard. They also provide job satisfaction.



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12.3.10 Promotion and Transfer

When an employee is assigned a job involving greater responsibilities, more pay, higher status and prestige than his/her present job, it is known as promotion. Thus, promotion refers to the advancement of an employee to a higher level or position. The main purpose of promotion is to make fuller use of the abilities of a person and also increase his job satisfaction. The basis of promotion may be seniority in service or merit, that is, superior abilities of the employees, or it may be seniority and merit, that is, merits being the same, one who is senior, is considered for promotion. When the performance of an employee is not satisfactory and it cannot be improved, he may be assigned a job of lower rank carrying lower status and pay. This is known as 'demotion'.

Transfer refers to a type of job change where an employee is assigned a different job of the same rank and pay, or when an employee is assigned a similar job in another unit of the firm. Thus, transfer does not usually involve any increase in pay or a superior status. It may be done simply to enable the employee to gain wider experience, or to give him greater job satisfaction, or to balance the requirements of staff in different units.



INTEXT QUESTIONS 12.5

1. Rewrite the following sentences, if found incorrect.
 - (a) Training is necessary for only the new employees.
 - (b) Promotion makes an employee eligible for training.
 - (c) Off the job methods encourage self learning through practice.
 - (d) Training of employees away from the place of work is called 'on the job' training methods.
 - (e) Transfer refers to a type of job change with higher pay.



WHAT YOU HAVE LEARNT

Staffing refers to the managerial function of employing and developing human resources for carrying out the various activities in an organisation. It helps in getting right persons for various jobs in the organisation and ensures that they have job satisfaction and work in harmony for achievement of organisational goals. The staffing process involves the following steps.

- **Manpower Planning :** The process of estimating the manpower requirement of an organisation.

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- **Job Analysis :** The process of determining the qualifications, skills and experience required for various categories of employees.
- **Recruitment :** The process of finding and attracting suitable applicants for employment for various activities of the organisation using the internal as well as the external sources.
- **Selection :** The process of choosing the most suitable persons from among the list of interested candidates. This involves screening the applications, holding tests, interviews, checking references, conducting medical examinations and issuance of appointment letters.
- **Placement :** The process of making the selected candidates to join the specific job positions.
- **Induction :** The process of introducing the new employees to the work environment in the organisation and acquaint them with the rules and regulations, work conditions, etc.
- **Training and Development :** The process of improving the knowledge and skills of the employees to enable them to perform their jobs more efficiently. The methods used may be on the job and off the job.
- Human resource management is a broader concept staffing is one part of HRM. HRM includes staffing, training, development and motivation of workers.
- Training is concerned with teaching technical skill. Development is concerned with teaching human and conceptual skill.
- Less wastage, better employee performance, better utilisation of men, reduced labour turnover are the benefits of training from organisational point of view.
- Improved skills, better employee performance, increased capability, increased moral etc. are the benefits of training to workers.
- Performance Appraisal: Assessing the performance quality of the employees.
- **Compensation :** Determining the remuneration to be given to employees including incentives, if any.
- **Promotion :** Advancement of employees to higher level or position.
- **Transfer :** A type of job change where an employee is assigned a different job with same rank and pay.

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MODULE - 5*Functions of Management***Staffing***Notes***KEY TERMS**

Compensation	Manpower planning	Promotion
Development	Off-the job training	Recruitment
Induction	On-the-job training	Selection
Job analysis	Performance appraisal	Training
Job description	Placement	Transfer
Job specification		

**TERMINAL EXERCISE***Very Short Answer Type Questions*

1. What is meant by manpower planning?
2. Distinguish between job description and job specification.
3. List any four sources of external recruitment.
4. State the meaning of selection.
5. What is meant by Promotion?
6. Out of human resource management and staffing which one is wider?
7. Name the term used for equipping the workers with the required skill to perform the job.

Short Answer Type Questions

8. Explain the meaning of the term 'Staffing'.
9. Define the term 'Recruitment'.
10. State the various advantages of internal recruitment.
11. What is meant by 'Induction'?
12. State the importance of training.
13. State any two points of importance of training.
14. How training benefit the employees of an organisation.
15. What is meant by training?

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16. What is meant by development?
17. 'Training is beneficial to the organisation'. Comment.

Long Answer Type Questions

18. Describe the importance of staffing.
19. Explain the role of Employment Exchange as source of external recruitment.
20. Briefly describe the various steps involved in the selection process.
21. Distinguish between selection and recruitment.
22. What is meant by training? Explain the different methods of training.
23. Differentiate Training and Development.
24. Discuss the importance of training.

**ANSWERS TO INTEXT QUESTIONS**

- 12.1** 1. (a) False. (b) True. (c) False.
(d) False. (e) True.
2. (a) (ii); (b) (iv); (c) (iii); (d) (i).
- 12.2** 1. (b); 2 (c); 3 (d)
- 12.3** 1. (a) Selection; (b) Appointment letter; (c) Performance tests;
(d) Interview; (e) Medical examination; (f) Period of probation;
(g) Induction/orientation.
2. (a) Recruitment; selection (b) Selection; recruitment
(c) recruitment; selection (d) selection
- 12.4** 1. (a) 2. (b)
- 12.5** 1. (a) Training is necessary for new employees as well as existing employees.
(b) Training makes an employee eligible for promotion.
(c) On the job methods encourage self learning through practice.
(d) Methods of training of employees away from the place of work are called off the job training methods.
(e) Transfer refers to a type of job change with same rank.

MODULE - 5*Functions of Management**Notes*

MODULE - 5*Functions of
Management***Staffing****Notes****DO AND LEARN**

Find out various factories operating in your neighborhood. Visit one of these in the morning when it opens and talk to the workers who assemble outside and waiting to work there on daily wages. Which method of recruitment is it? Ask them if they have any chance of being absorbed in the same factory after some time?

**ROLE PLAY**

Aman Saxena has graduated from one of the good colleges and is looking for a job. He asks his uncle, who runs a placement agency, to get assistance from him.

Aman : Good Morning Uncle! Here I am. You told me that you will help me to find a job after I complete my graduation.

Uncle : Yes, sure. I will register your name in my agency.

Aman : How does that help?

Uncle : There are many companies who get in touch with us. We register names of job seekers and arrange for interviews for such candidates as per their qualifications.

Aman : So, is that enough? Do I need to do anything else?

Uncle : Yes, there are various other options also which can help you to find a suitable job.

(Choose one of the above roles for you and let one of your friends play the other role. Continue the conversation and explore various ways of recruitment.)

*Notes*

13

DIRECTING

The managerial function of directing is like the activities of a teacher in a classroom. In order to teach, a teacher has to guide his students, maintain discipline, inspire them and lead them to the desired goal. It is a very important function in the management of any enterprise. It helps the managers in ensuring quality performance of jobs by the employees and achievement of organisational goals. It involves supervision, communication and providing leadership to the subordinates and motivating them to contribute to their best of capability. In this lesson we shall learn about this function in detail.



OBJECTIVES

After studying this lesson, you will be able to:

- state the meaning and importance of directing function;
- identify the elements of directing;
- describe the meaning and importance of communication;
- state the different types of communication;
- explain the meaning, functions and importance of supervision;
- describe the meaning and importance of motivation;
- state the various ways of motivation;
- explain the meaning and importance of leadership and
- identify the qualities of a good leader.

13.1 MEANING OF DIRECTING

While managing an enterprise, managers have to get things done through people. In order to be able to do so, they have to undertake many activities, like guide the people

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who work under them, inspire and lead them to achieve common objectives. An office manager, for instance, has to supervise the activities of his subordinates, i.e., typists, office assistants, dispatchers, accounts clerks, etc. He has to issue instructions to them and describe and illustrate the work and related activities. He has to tell them what to do, and how to do it. The office manager can plan, organise and appoint people, but he can not get things done, unless he assigns specific duties to his subordinates and motivates them to perform well. All these activities of a manager constitute the directing function.

Thus, directing is concerned with instructing, guiding, supervising and inspiring people in the organisation to achieve its objectives. It is the process of telling people what to do and seeing that they do it in the best possible manner. The directing function thus, involves:

- telling people what is to be done and explaining to them how to do it;
- issuing instructions and orders to subordinates to carryout their assignments as scheduled;
- supervising their activities;
- inspiring them to meet the mangers' expectations and contribute towards the achievement of organisational objectives; and
- providing leadership.

Managers plan and take decisions. They organise to define the work and create suitable positions in the enterprise. People are employed to perform the jobs, but the actual work of getting the job done comes under the directing function. Thus, directing is 'management in action'. It is through the exercise of this function that managers get things done through people.

13.1.1 Importance of Directing

Plans remain mere plans unless they are put into action. In the absence of direction, subordinates will have no idea as to what to do. They will probably not be inspired to complete the job satisfactorily. Implementation of plans is, thus, largely the concern of directing function. As a function of management, directing is useful in many ways.

- It guides and helps the subordinates to complete the given task properly and as per schedule.
- It provides the necessary motivation to subordinates to complete the work satisfactorily and strive to do them best.
- It helps in maintaining discipline and rewarding those who do well.
- Directing involves supervision, which is essential to make sure that work is performed according to the orders and instructions.

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- Different people perform different activities in the organisation. All the activities are interrelated. In order to co-ordinate the activities carried out in different parts and to ensure that they are performed well, directing is important. It thus, helps to integrate the various activities and so also the individual goals with organisational goals.
- Directing involves leadership that essentially helps in creating appropriate work environment and build up team spirit.

13.1.2 Elements in Directing

Communication, Supervision, Motivation and Leadership are the four essential elements of directing. In the subsequent sections we shall discuss about the nature and significance of each of these components.



INTEXT QUESTIONS 13.1

1. Define the term 'Directing'.
2. Complete the following incomplete words by taking clues from the statements given for each. Every blank represents one letter only.
 - (a) D _ _ E _ T _ _ G
 - (b) _ E A _ _ R _ _ I P
 - (c) M _ T _ V _ _ I O _
 - (d) S U _ _ R _ _ S _ O _

Clues:

- (a) It guides and helps the subordinates to complete the given task properly and as per schedule.
- (b) It helps in creating appropriate work environment and build up team spirit.
- (c) It makes sure that work is performed according to the orders and instructions.
- (d) It ensures that work is done according to orders and instructions.

13.2 COMMUNICATION

Communication is a basic organisational function, which refers to the process by which a person (known as sender) transmits information or messages to another person (known as receiver). The purpose of communication in organisations is to convey orders, instructions, or information so as to bring desired changes in the performance and or the attitude of employees. In an organisation, supervisors transmit information to

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subordinates. Proper communication results in clarity and securing the cooperation of subordinates. Faulty communication may create problems due to misunderstanding between the superior and subordinates. The subordinates must correctly understand the message conveyed to them.

Thus, in communication:

- there are two parties, one is known as the sender and the other is known as receiver;
- there is a message sent by the sender to the receiver; and
- the receiver receives the message and understands it.

Communication does not always flow from supervisor to subordinate. It can also be from a subordinate to a supervisor. For example, subordinates can pass information to the supervisor about the faults/problems at the assembly line. Thus, it is a two way process.

13.2.1 Importance of Communication

Communication in organisations is so important that it is said to be the lifeblood of the organisation. Success of direction largely depends on how effectively the manager can communicate with his subordinates. Proper communication in organisations at all levels and between all levels can improve both the quantity and quality of output. Some of the benefits of communication are as follows:

- Communication helps employees to understand their role clearly and perform effectively.
- It helps in achieving co-ordination and mutual understanding which in turn, leads to industrial harmony and increased productivity.
- Communication improves managerial efficiency and ensures cooperation of the staff.
- Effective communication helps in moulding attitudes and building up employees' morale.
- Communication is the means through which delegation and decentralisation of authority is successfully accomplished in an organisation.

13.2.2 Types of Communication

In an organisation communication can be made from supervisor to subordinate, from subordinate to supervisor and also between two supervisors at the same level. Communication can be done orally or in writing or even through gestures. Communication may be made through formal or informal channels. Thus, the various types of communication are as follows.

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<i>On the basis of channel used</i>	<i>On the basis of direction</i>	<i>On the basis of mode used</i>
(i) Formal	(i) Upward	(i) verbal - (a) oral, (b) written
(ii) Informal	(ii) Downward (iii) Horizontal (iv) Diagonal	(ii) Non-verbal (gestural)

Let us now discuss these briefly.

(a) Formal and Informal Communication

The path through which information flows is called channel of communication. In every organisation we have both formal and informal channels. The paths of communication which are based on relationship established formally by management are the formal channels. For example, the General Manager communicates a decision to the production manager who may then issue orders or instructions to the foremen. It may also be like a worker applying to his supervisor for a loan from the GPF account. He/she forwards it to the Manager Accounts who finally sends it to the General Manager (Finance) for approval.

Communication, which takes place on the basis of informal or social relations among staff, is called informal communication. For example, any sharing of information between a production supervisor and an accountant, as they happen to be friends or so. Mostly informal channels are used due to friendly interaction of members of an organisation. In fact, it may be purely personal or related to organisational matters.

(b) Upward, Downward, Horizontal and Diagonal Communication

On the basis of the flow or direction of communication in organisations, it can be classified as upward, downward, horizontal or diagonal. When employees make any request, appeal, report, suggest or communicate ideas to the superior, the flow of communication is **upward** i.e., from bottom to top. For instance, when a typist drops a suggestion in the suggestion box, or a foreman reports breakdown of machinery to the factory manager, the flow of communication is upward. Upward communication encourages employees to participate actively in the operations of their department. They get encouraged and their sense of responsibility increases when they are heard by their supervisors about problems affecting the jobs.

When communication is made from superiors down the hierarchy it is called a downward communication. For instance, when superiors issue orders and instructions to subordinates, it is known as downward communication. When the General Manager orders supervisors to work overtime, the flow of communication is downward i.e., from top to bottom. Similarly, communication of work assignments, notices, requests for performance, etc. through bulletin boards, memos, reports, speeches, meetings, etc. are all forms of downward communication.

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Communication can also be amongst members at the same level in the organisation. For instance, production manager may communicate the production plan to the sales manager. This is known as **horizontal flow of communication**. Here, the communication is among people of the same rank and status. Such communication facilitates coordination of activities that are interdependent.

When communication is made between people who are neither in the same department nor at the same level of organisational hierarchy, it is called **diagonal communication**. For example, cost accountant may request for reports from sales representatives not the sales manager for the purpose of distribution cost analysis. This type of communication does take place under special circumstances.

(c) Verbal and Non-verbal Communication

On the basis of the mode used, communication may be verbal or non-verbal. While communicating, managers may talk to their subordinates either face to face or on telephone or they may send letters, issue notices, or memos. These are all verbal communication. Thus, the verbal modes of communication may be oral and written. Face to face communication, as in interviews, meetings and seminars, are examples of oral communication. Issuing orders and instructions on telephone or through an inter-communication system is also oral communication. The written modes of communication include letters, circulars, notices and memos. Sometimes verbal communication is supported by non-verbal communication such as facial expressions and body gestures. For example – wave of hand, a smile or a frown etc. This is also termed as the gestural communication.

Barriers to Effective Communication

Barrier means the hindrance that adversely affect communication. These barriers have been discussed under the following categories :

A. Semantic Barriers

These barriers take place when the sender and the receiver of the message interpret the words, sentences, symbols etc. differently.

1. **Symbols with different meanings :** A word may have different meanings. For example minute (time & small).
2. **Badly Expressed Message :** Same time manager may use wrong words. Manager may omit needed words.
3. **Faulty translation :** A manager receives information from his superior and transfers it to its subordinates. Manager translates it for all the employees according to their levels of understanding. If the receiver of information makes a faulty translation, it can be a barrier in the communication.

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4. **Un clarified Assumptions :** Same times a sender takes it for granted that the receiver knows same basic things. So sender may communicate him only about the major subject matter. This may be a barrier in effective communication.

B. Psychological Barriers

Psychological barriers appear because of the state of mind.

1. **Lack of Attention :** When the receiver is engaged in some important work he does not listen to the message attentively. This lack of attention will be barriers to effective communication.
2. **Loss by Transmission and Poor Retention :** When communication passes through various levels, successive transmissions of the message may result in loss of information.
3. **Premature Evaluation :** Sometimes the receiver of information makes a judgment before listening to the entire message. This is a hindrance in the exchange of information.
4. **Distrust :** If the receiver and sender of information do not trust each other, they cannot understand each other's message in its original sense.

C. Organisational Barriers

Some organisational or physical barriers put difficulties in smooth communication. These are :

1. **Rules and Regulations :** Rigid rules may lead to red tapism, delay in action and delay in movement of information.
2. **Status :** Sometimes higher managers in the higher rank may not pass on all information to the managers of lower ranks.
3. **Organisational Policies :** Organisational policies determine the relationship among all the persons working in the organisation. For example in centralised organisation, all important information is retained at the top level officers only.
4. **Complexity in Organisational Structure :** In an organisation where there are number of managerial levels (complex structure), there will be delay in communication. Information gets changed before it reaches to receiver.

D. Personal Barriers

1. **Fear of Challenge of Authority :** Superiors try to cancel information if they fear of losing their authority over the subordinates.
2. **Lack of Confidence in Subordinates :** Top level officers do not have confidence on the competence of their subordinates. So they may not pay any attention to their advice.

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3. **Unwillingness to Communicate** : Subordinates may not be willing to communicate with their superiors if they believe that it may adversely affect their interests.
4. **Lack of Proper Incentive** : The lack of incentive to the subordinates can be of the fact that their suggestions are not given any importance.

How to Overcome the Barriers

Most of the barriers can be removed and the communication can be made more meaningful and effective if the following points are considered by the manager:

1. **Consult Others before Communicating** : If the subordinates are allowed to participate in the development of the message to be communicated, they will accept it and will have a commitment to implement it. Therefore, it is better to involve others in developing the message.
2. **Communicate According to the Needs of the Receiver** : The sender of message should know the level of understanding of the receiver. The content, language and tone of the message should be adjusted to suit the education and intelligence of the receiver.
3. **Clarify the Idea before Communicating** : The message to be conveyed should be analysed in depth by the communicator. Communicator should be clear of the message to be transmitted and try to pass the message in simple words.
4. **Good Listener** : Managers should attend and listen patiently to the employees. This helps the employees to mingle freely with the managers.
5. **Proper Feedback** : Communication is complete only when the message is understood by the receiver. The communicator can ensure the success of communication by asking questions about the message conveyed. The receiver should be encouraged to respond to the message. Thus communication becomes a two-way process.
6. **Follow up Communication** : Managers should review and follow-up instructions given to subordinates. This follow-up will help to remove misunderstanding of instructions.
7. **Use of Informal Channels** : A manager must make use to his grapevine to support the formal channels of communication.



INTEXT QUESTIONS 13.2

1. Name the parties involved in the process of communication.

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2. Classify the following into various types of communication on the basis of channel, direction and mode of communication.
 - (a) The General Manager seeking explanation from a supervisor for poor performance in his department.
 - (b) The supervisor sending an explanation to the General Manager stating the performance of his department.
 - (c) The sales assistants discussing with his friend regarding customers' behaviour.
 - (d) A typist informs his fellow typist during the lunch-break about the rude behaviour of her supervisor.
 - (e) A boss frowning at his subordinate for a job done wrongly.

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13.3 SUPERVISION

After the employees have been instructed regarding what they have to do and how to do, it is the duty of the manager to see that they perform the work as per instructions. This is known as **supervision**. Managers play the role of supervisors and ensure that the work is done as per the instructions and the plans. Supervisors clarify all instructions and guide employees to work as a team in co-operation with others. Supervisors solve most of the routine job-related problems of subordinates. Supervisor, thus, performs the following functions:

- clarifies orders and instructions issued to subordinates and ensures that they have understand and follow these fully;
- ensures that subordinates have the required facilities to perform their jobs;
- keeps a watch and guides the activities of subordinates in performing their jobs;
- broadens the horizon of his subordinates by making them aware of the wider aspects of their day-to-day work;
- coordinates the work of different subordinates under him; and
- detects errors and omissions and ensures their rectification.

Though supervision is required at all levels of management, it is of great importance at the operational level i.e., at the level of first line supervisor. Managers at this level devote maximum time in supervising the work of subordinates. Though the top or middle level managers also supervise the work of their subordinate managers, but it is the first line supervisors who are in direct and constant touch with operatives i.e., workers in the factory and clerical staff in the office. Thus, they are directly responsible for getting the work done through most of the employees in an organisation.

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13.3.1 Importance of Supervision

From what has been said about supervision, it must be clear to you that supervision is of great significance in getting the work done as per plans and as scheduled. On the basis of the influence on the work at operational level and human approach to the problems of workers, the supervision can ensure workers cooperation and support in achieving organisational objectives.

Supervisors are the key people among managers at different levels. They are the link between the top and middle management and the workers. Take, for example, the foreman of the factory or the office superintendent in the office. Both of them are members of the management team, and are in direct contact with operatives in the workshop and clerical staff in the office. They are the mouthpiece of management for communicating its ideas, plans and policies to the workers and employees. At the same time, they have to play the role of principal spokesmen of their subordinates to communicate their feelings and grievances to the management. Thus, it is only the supervisor who, as a member of the management team, is capable of developing links to workers. Supervisors are expected to maintain the best and friendly relations with their seniors as well as with the workers and enjoy the trust and confidence of both management and operatives.

13.3.2 Functions of a Supervisor

A supervisor works at the lowest level of management like all other managers he performs the functions of planning, organising, directing and controlling with respect to his own subordinates and department. A major part of his time is devoted in directing and controlling the activities of his subordinates. He also coordinates the activities of his subordinates by integrating the same with the activities of other departments of the enterprise. Besides he performs certain special functions which have been described below :

1. **Link Between Top Management and Workers :** A supervisor works as a link between managers working at higher levels and workers. He conveys the decision of the higher level managers to the workers and also communicates the performance of the workers to the higher level management through different performance reports. He also communicates the grievances, feelings of demands etc. of the workers to the higher level management.
2. **Creating Ideal Atmosphere :** Being an important link between the operatives and the management a supervisor is expected to create an ideal atmosphere for work in the organisation by correctly communicating the ideas, wishes and decisions of the higher level management to the workers.

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3. **Guiding the Workers :** For obtaining best results the supervisor assigns jobs to the workers keeping in mind their ability and aptitude for work. He makes them available the necessary tools and equipments, raw materials etc. for proper execution of the jobs. He also guides the worker properly to ensure that the job is done with perfection and accuracy.
4. **Quality Output :** A supervisor has to ensure quality output through constant watch on the performance of workers. He ensures that the performance of the worker takes place as per the plans. This results into steady flow of output.
5. **Feedback :** A supervisor keeps on watching the performance of his subordinates and identifies their strengths and weaknesses. He gives the feedback about this to the workers with the object to further improve the performance of the workers in future.
6. **Suggest Training Programmes :** A supervisor identifies the areas in which the workers require training and accordingly suggests training programmes that should be organised for them.



INTEXT QUESTIONS 13.3

1. List any four activities that your friend is expected to do as a supervisor of a publishing house.
2. Answer the following questions.
 - (a) Who puts plans of the management into action?
 - (b) Who clarifies the instructions and guide employees in their work?
 - (c) The importance of supervision is very much felt at which levels of management.
 - (d) Who provides the necessary linkage between management and workers?
3. Give any three functions to be performed by Supervisor.

13.4 MOTIVATION

Motivation is one of the important elements of directing. Issuance of proper instructions or orders does not necessarily ensure that they will be properly carried out. It requires manager to inspire or induce the employees to act and get the expected results. This is called motivation. It is a force that inspire a person at work to intensify his willingness to use the best of his capability for achievement of specified objectives. It may be in the form of incentives like financial (such as bonus, commission etc.) or, non-financial (such as appreciation, growth etc.), or it could be positive or negative. Basically, motivation is directed towards goals and prompt people to act.

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13.4.1 Importance of Motivation

While performing a job, two things are required. The ability to work and the willingness to work. Without willingness to work, ability to work can not produce results. The importance of motivation lies in converting this ability to work into willingness to work. Performance depends on ability as well as willingness; and willingness depends on motivation. Thus, motivation is a key element in directing people to do the job. Some of the other benefits or importance of motivation are:

- with proper motivation there can be maximum utilisation of the factors of production like men, money, material etc.;
- if employees are motivated it will reduce employee turnover and absenteeism;
- motivation fosters a sense of belongingness among the employees towards the organisation and also improves their morale;
- motivation helps in reducing the number of complaints and grievances. The wastage and accident rate also come down and
- with proper motivational techniques, management can attract competent and best skilled employees.

13.4.2 How to Motivate

After learning about the importance of motivation in directing, you must be wondering as to what is normally done to motivate the employees. Actually, there is no hard and fast rule of motivating individuals in a specified way. Not all individuals are motivated in the same way. It varies from individual to individual. However, on the basis of a lot of research done in the field of motivation, the following must be kept in mind while motivating.

Each employee has some needs of his own that he wants to fulfill. While directing, it is essential to ensure that any of the unfulfilled need of the individual is being taken care of. Here we must understand what is a need. A need is a feeling of lack of something and every person tries to take care of that feeling by satisfying/fulfilling what he lacks. For example, when you are hungry, you eat food to satisfy the lack of food. So here hunger is your need. The needs of the individual differ from person to person. However, there are certain common needs which are known to exist in most cases. For instance, people have basic needs like the need for food, clothing and shelter. These are known as **Physiological needs**. People generally work so as to be able to earn money to satisfy such needs. Once the basic needs are satisfied, people wish to satisfy higher category of needs. They want safety and security and desire to be protected against loss of employment, sickness, accident etc. These are known as **Safety and Security needs**. Thereafter, people want to have a sense of belonging to the organisation and to

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be accepted by fellow workers. These are known as **social needs**. Similarly, there are people who wish to be considered important and expect that their opinions should be recognised by others. These needs are known as **ego needs**. Further, a person may wish to achieve what he thinks is due to him, i.e., he wants to realise his ambition fully. These needs are known as **self-actualisation needs**. This is called hierarchy of needs concept of motivation developed by Maslow.

Maslow's Hierarchy of Needs

According to Maslow, an individual has many needs and their order can be determined. If a person satisfies his first need, then he thinks about his next need. After satisfying the second need, he tries to satisfy third need and so on. So needs are the motivators.

Maslow has given hierarchy of needs in the following ways :

1. **Physiological Needs** : These needs include need for food, shelter and clothing.
2. **Safety and Security Needs** : Once physiological needs are fulfilled then the people start thinking about their safety. Safety needs include need for physical safety and economic safety. Physical safety means safety from accidents, disease etc. Economic safety refers to safety of livelihood.
3. **Social Needs** : Man is a social animal. He wants to live in the society honourably. Therefore, he wants friends and relatives with whom he can share his joys and sorrows. Social needs include need for love, affection, friendship etc.
4. **Esteem Needs** : These are the need for respect and recognition. Esteem needs are also known as Ego needs.
5. **Self Actualisation Needs** : Self actualisation needs are concerned with becoming what a person is capable of becoming. These needs include need for growth, self fulfillment etc.

Assumptions of Maslow's Need Hierarchy Theory

1. Behaviour of people depends upon their needs. Human behaviour can be changed by fulfilling their needs.
2. Generally the needs follow the hierarchy starting them physiological needs.

Financial and Non-financial Hierarchy Theory

Monetary / Financial incentives are directly related with money. Non-financial incentives are not directly related with money.

Following are the financial incentives :

1. **Pay and Allowances** : Salary is the basic monetary incentive of every employee. Salary includes basic pay, dearness allowance etc.

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2. **Bonus** : Bonus means the payment to employees in addition to their regular remuneration. Bonus is provided in the form of cash, free trips to resorts or foreign countries etc.
3. **Commission** : In sales department, sales persons get commission on the basis of their sales.
4. **Retirement Benefit** : Every employee is concerned about his future after retirement. Some retirement benefits are Provident fund, Pension, Gratuity etc.
5. **Perquisites** : Rent free accommodation, car allowance, facility of a servant etc. are called as perquisites.

Non-financial Incentives

Besides the financial incentives there are certain non financial incentive that motivate the employees. The important non-financial incentive are given below :

1. **Career Advancement Opportunity** : Appropriate skill development programmes will encourage employees to show improved performance.
2. **Status** : Status means the rank of a person in a organisation. The rank is linked with authority, responsibility and other extra benefits. Everybody has a wish to be in high rank. Therefore an employee can be motivated by placing him in higher rank.
3. **Employee Recognition Programmes** : Every employee wants to be considered as an important part of the organisation. Work of an organisation should be distributed in such a way that every employee feels that his work is yield and he is capable to do that work. This motivates the worker and he works hard and in a responsible manner.
4. **Employee Participation** : It means involving employee in decision making specially when decisions are related to workers.
5. **Organisation Climate** : It means the relationship between superior and subordinates. Employees can put their best if healthy climate exist in an organisation.

It is important to remember that the needs and desires of people change. Once their basic needs are satisfied, other needs arise. Managers have thus, to understand the needs and desires of subordinates and decide how to motivate them.

The knowledge of the different types of need enables a manager to adopt different ways to motivate individuals depending upon which need is unsatisfied for the individual. For example, a person whose physiological needs are not fulfilled may be motivated to work with a promise of increase in pay, whereas another person may be motivated if he is given a very challenging job to perform regardless of the pay.

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In fact many other approaches have been developed for motivation. But in simple terms as stated earlier it is usually in the form of incentives. Not only that, certain factors or job conditions that exist in organisations like recognition of work, advancement in career, challenging nature of the work, etc., also motivate the employees.



INTEXT QUESTIONS 13.4

1. Mention any five benefits the management will get if the employees are properly motivated.
2. Match the expressions in Column (I) with those in Column (II):

Column (I)

Column (II)

- | | |
|--|--------------------------------|
| (a) Employee's needs for food, clothing and shelter | (i) Self-actualisation need |
| (b) The desire for protection against accident sickness and other future uncertainties | (ii) Ego needs |
| (c) The need for belonging and acceptance by fellow workers | (iii) Physiological needs |
| (d) People's desire to be considered important | (iv) Safety and security needs |
| (e) Employees wish to realise their ambition fully | (v) Social needs |
3. Complete the paragraph given below by selecting the appropriate words given here.

(Physiological, security, appreciation, food, friends, recognition)

Govinda is without a job and without a source of income. He is without food. He is starving. In such circumstances, he wants nothing but some (a) _____. His other (b) _____ needs are air, water and sleep. Govinda is fortunate and finds a job. He gets his bread, but his work is dangerous and the job is temporary. He now seeks (c) _____. His management is sympathetic and assures him of permanent employment. But he is not happy for he feels lonely. Now he begins to look around for (d) _____. Even if surrounded by loving friends, he is unhappy from within. He now requires some measure of self-confidence and self-respect. He wants to assure himself that he can do difficult jobs and work independently. He now seeks (e) _____ and (f) _____ without which he feels uneasy. He now has much self-confidence and self-respect.

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Management***Notes****Directing****13.5 LEADERSHIP**

While motivation is the process through which employees are made to contribute voluntarily to work, leadership is the ability to persuade and motivate others to work in a desired way for achieving the goals. Thus, a person who is able to influence others and make them follow his instructions is called a leader. For example, in an organisation the management decides to install some new machines to which the workers are resisting. However, one of the workers takes the initiative, explains the fellow workers the benefits of working with the new machines and moulds them to accept the management's decision. Now he is said to be leader as he is able to influence a group of workers who followed him. In practice, the managers have to guide and lead their subordinates towards the achievement of goals, and so, to be an effective, a manager has to be a good leader

Leadership is the process, which influences the people and inspires them to willingly accomplish the organisational objectives. The main purpose of managerial leadership is to get willing cooperation of the workgroup to achieve the goals.

13.5.1 Importance of Leadership

The objectives of any organisation can only be fulfilled if its employees are working towards accomplishment of such objectives. To make people work in the desired manner, proper instructions and guidance are necessary. And this direction process becomes effective when the persons who give such direction have leadership qualities. Leadership is essential in functioning of any organisation and its importance and benefits are varied. Some of these importances are:

- leadership improves the performance of the employees. Leaders can motivate the followers to work and thereby increase their performance level.
- with continuous support and guidance, leaders are able to build confidence among the followers, thereby increasing speed and accuracy and decreasing wastage.
- with friendly and cooperative efforts the leader is able to build employees' morale which in turn contribute to higher productivity.

13.5.2 Leadership Qualities

In order to be successful, a leader must possess certain qualities. A good leader should be professionally competent, intelligent, analytical and he/she should have a sense of fair play, including honesty, sincerity, integrity, and sense of responsibility. He must possess initiative, perseverance, be diligent and realistic in his outlook. He must also be able to communicate his subordinates effectively. Human relation skills are must for any leader. Earlier, it was believed that the success or effectiveness of a leader depends upon his personal traits or characteristics, like physical appearance, intelligence, self-confidence, alertness, and initiative. This is no longer regarded as a correct approach.

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It has been established on the basis of experiments that the success or effectiveness of a person as a leader depends upon his behaviour pattern or leadership style in relation to the followers.

To get things done, managers have to influence their subordinates and seek their voluntary co-operation. If their leadership is not based on suitable behaviour or style, they will not be successful. When leaders involve people in determining goals, and build up team spirit, chances are that people will follow them voluntarily.



INTEXT QUESTIONS 13.5

1. List atleast five important qualities of a good leader.
2. Following are certain statements about a good leader. Rectify if any statement is found to be wrong.
 - (a) He is empathetic and listens to others.
 - (b) He is competent thus, does everything alone.
 - (c) He has to be very good looking else people will not like him.
 - (d) He likes to generate team spirit and works with the people as a team.
3. Multiple Choice Questions
 - i. Need for food can be included under which class for need?

a) Physiological needs	b) Safety needs
c) Social needs	d) Ego needs
 - ii. Ram, a worker in a MNC wants promotion in his job. Which need he wants to satisfy?

a) Physiological needs	b) Safety needs
c) Self actualisation	d) Ego needs
 - iii. Balan is working in 'Reliance Company Ltd.' The company gave him and his family a free ticket to a resort in Thailand. State which of the following incentive is used by the company to motivate its worker.

a) Financial incentive	b) Non-financial incentive
c) Semantic incentive	d) None of the above

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- iv. 'Maruti Sazuki' started training programme for all its officers. Identify the incentive through which the company tries to motivate the workers.
- | | |
|------------------------|----------------------------|
| a) Financial incentive | b) Non-financial incentive |
| c) Semantic incentive | d) None of the above |
- v. A notice circulated in English was poorly translated in Tamil. Name the type of barrier relating to this :
- | | |
|---------------------------|--------------------------|
| a) Semantic barrier | b) Psychological barrier |
| c) Organisational barrier | d) Personal barrier |



WHAT YOU HAVE LEARNT

To get things done, managers have to guide people who work under them, inspire and lead them to achieve common objectives. In order to be able to do so, the managers need to communicate job related orders and instructions, supervise subordinates at work, and motivate them. These activities of a manager are known as directing. Directing is thus concerned with instructing, guiding and inspiring people in the organisation to achieve its objectives. Its important components are communication, supervision, motivation and leadership.

- Communication is the process by which a person transmits information or message to another person. The process facilitates the task of issuing orders and instructions to convey the superiors' ideas about the work to be done by subordinates. It also helps in conveying policies, procedures and decisions to employees.
- The flow of communication can either be upward or downward. It can be formal as well as informal. When it takes place among managers of the same rank it is known as horizontal communication. When communication is made between people who are neither in the same department nor at the same level of organisational hierarchy, it is called **diagonal communication**. Communication may be in the form of oral or written or even non-verbal like gestural.
- Supervision involves seeing that subordinates perform the work as per instructions given. Supervisors clarify all instructions and guide people to work as a team in co-operation with each other.
- Though supervision is necessary at all levels of management, it is of great importance at the first level. It is at this level that supervisors are in direct contact with employees.
- Supervisors are in key positions in the hierarchy of management. They act as a link between higher level managers and the workers.

Directing

- Inspiring people to work is another important component of the directing function. This is known as motivation. Motivation requires the use of means to fulfill the needs and desires that may inspire individuals to apply their best abilities in work.
- Needs of people differ from individuals to individuals. But there are certain common needs felt by most people such as the physiological needs, need for safety and security, social needs, ego needs, and self-actualisation needs.
- There is no standard way of motivating all types of people. Motivation is need based. Manager has to find out the unsatisfied needs of the employees and accordingly decide to motivate them.
- Motivation helps managers in getting things done more efficiently by the employees. If the employees are motivated, they will fully utilise the production facilities and put in their best efforts in performing the job.
- In order to get things done, a manager has to be a good leader. Leadership is the ability to persuade others to work in a desired way. Thus, a person who persuades others and makes them follow his instructions willingly is called a leader.
- To be a good leader, a person must possess certain qualities like professional competence, intelligence, ability to analyse, honesty, sincerity, integrity etc.
- Supervisor helps in optimum utilisation of resources, creation of more disciplined workforce, control, good communication and proper feedback.
- A manager must understand needs and wants of people if he has to motivate them. Famous psychologist A.W.Maslow developed the following need Hierarchy theory which contains five types of needs like physiological, safety, social, ego and self-actualisation.
- Physiological needs are the basic needs which must be satisfied before all other needs are satisfied.
- Safety needs can be satisfied by giving job security, pension, insurance etc.
- Social needs include need for love, affection, association etc.
- Esteem needs include need for self confidence, self-respect etc.
- Self actualisation need refers to need to grow and self-fulfillment.
- Incentives are both financial and non-financial.
- Financial incentives include pay and allowances, bonus, commission, retirement benefit etc. Non-financial incentives are career advancement opportunity, status, employee participation and employee recognition programme.

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Functions of Management



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Notes

Directing

- Semantic barriers, psychological barriers, organisational barriers and personal barriers are the main barriers to effective communication.
- Clarity, attention, feedback and grapevine can be used to overcome the barriers.



KEY TERMS

Communication	Horizontal	Communication Safety and Security needs
Diagonal Communications	Informal Communication	Self-actualisation needs
Directing	Leadership	Social needs
Downward Communication	Motivation	Supervision
Ego needs	Non-verbal Communication	Upward Communication
Formal Communication	Physiological needs	Verbal Communication



TERMINAL EXERCISE

Very Short Answer Type Questions

1. What is meant by directing?
2. Name the different elements of directing.
3. Define motivation.
4. Who is a leader?
5. List any four qualities of a good leader.
6. State any two functions of a supervisor.
7. What is meant by financial incentive? Give any two examples of financial incentives.
8. Enumerate any two types of non-financial incentives.

Short Answer Type Questions

9. Explain in brief the importance of directing.
10. State the different types of communication on the basis of direction.
11. Explain the functions of a supervisor.

Directing

12. Describe the importance of motivation.
13. State the hierarchy of needs concept of motivation as developed by Maslow.
14. Enumerate any five barriers to effective communication.
15. What are semantic barriers of communication.
16. Explain in brief any three types of financial incentives.

Long Answer Type Questions

17. Describe the essential elements of the managerial function of directing.
18. What is communication? Explain how communication is an important element of directing function of management.
19. What is meant by the term supervision in management? Explain briefly the functions of a supervisor.
20. Explain the term leadership and state the qualities of a good leader.
21. “Leadership is considered as the most important element of the directing function of management”. In the light of this statement, explain the importance of leadership.
22. What are the functions of a supervisor? Explain briefly.
23. Discuss in detail Maslow’s need hierarchy theory of motivation.
24. What is meant by ‘Monetary Incentives’? State any five types of monetary incentives. Which contribute to the performance of employees?
25. Explain briefly non-financial incentives used to motivate employees of a company.
26. There are some barriers in communication which are concerned with organisational structure and rules and regulations. State any three such barriers.
27. There are some barriers in communication which are concerned with the state of mind of both the sender and the receiver. State any four such barriers.



ANSWERS TO INTEXT QUESTIONS

- 13.1**
2. (a) DIRECTING (b) LEADERSHIP
(c) MOTIVATION (d) SUPERVISION
- 13.2**
1. (a) Sender (b) Receiver
 2. (a) Formal, Downward, Verbal
(b) Formal, Upward, Verbal
(c) Informal, Horizontal, Verbal

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- (d) Informal, Horizontal, Verbal
(e) Informal, Downward, Non-verbal
- 13.3**
- (a) Clarify orders and instructions issued to subordinates
(b) Ensure required facilities for the subordinates
(c) Keep a watch and guides the activities of subordinates
(d) Coordinate the work of different subordinates under him
 - (a) Supervisor (b) Supervisor (c) Operational Level
(e) Supervisor
 - (a) Guiding the workers, (b) Provides feedback,
(c) Suggest Training Programmes.
- 13.4**
- (a) Maximum utilisation of factors of production
(b) Employee turnover and absenteeism will reduce
(c) Develop the sense of belongingness
(d) Less complaint and grievances
(e) Attract competent and quality staff
 - (a) – (iii), (b) – (iv), (c) – (v), (d) – (ii), (e) – (i)
 - (a) Food (b) Physiological (c) Security
(d) love & affection (e) Appreciation (f) Recognition
- 13.5**
- (a) Competent (b) Intelligent (c) Integrity
(d) Initiative (e) Perseverance
 - (a) Correct
(b) He is competent but can not do things alone
(c) Need not necessarily be good looking
(d) Correct
 - (i) a (ii) d (iii) a (iv) b (v) a



DO AND LEARN

Identify atleast 10 different people of your locality and ask them about their needs. Make note of atleast three needs of each individual and classify them in the category suggested by Maslow.

Directing



ROLE PLAY

Madan Mohan, the owner of a shoe factory visited his friend Gyan Prakash who also runs a factory of making kitchen appliances. He found Gyan Prakash sitting with floor workers and taking tea with them. When the workers left, the two friends sat together.

Madan Mohan : Having tea with floor workers!

Gyan Prakash : Yes, I do this exercise once in every fortnight to know their wants, needs and aspirations. I keep my labour force happy.

Madan Mohan : You may do anything, they will neither be happy nor work enthusiastically.

Gyan Prakash : No, on the contrary if you know how to motivate them to work in the required direction, then output will be more than the effort put in.

Madan Mohan : Motivation!

Gyan Prakash : Yes, all human have needs. They may vary from person to person. Fulfillment of these needs can stimulate people to work in the required direction.

(The two friends discussed further about motivation.)

Choose a role for yourself and one for your friend and continue the conversation.

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MODULE - 5*Functions of
Management**Notes***14****CO-ORDINATION AND
CONTROLLING**

You have learnt about the various functions of management and gone through the details of planning, organising, staffing and directing functions. In this chapter we shall learn the details of coordinating and controlling functions. You know that the various business activities of an organisation are grouped and carried out by different departments and within each department there are divisions and sub-divisions. In order to achieve the organisational goals effectively, there is need to ensure that activities of such divisions, sub-divisions and departments are harmonised and duly monitored so that the performance of the organisation confirms to the plans and the prescribed time schedule. This can be achieved through proper coordination and control of the activities of all groups. Let us now learn about the concepts of coordination and control and the various steps involved in the control process.

**OBJECTIVES**

After studying this lesson, you will be able to:

- explain the meaning and significance of coordination;
- explain the meaning of control;
- describe the characteristics of control and the importance of controlling and
- identify the steps involved in the process of control.

14.1 MEANING OF CO-ORDINATION

In every organisation, different types of work are performed by various groups and no single group can be expected to achieve the goals of the organisation as a whole. Hence, it becomes essential that the activities of different work groups and departments should be harmonised. This function of management is known as ‘co-ordination’. It

Co-ordination and Controlling

ensures unity of action among individuals, work groups and departments, and brings harmony in carrying out the different activities and functions so as to achieve the organisational goals efficiently. In other words, coordination is the orderly arrangement of individual and group efforts to provide unity of action in the pursuit of a common goal. In an organisation, for example, the purchase department buys raw materials for production, the production department produces the goods, and the marketing department procures orders and sells the products. All these departments must function in an integrated manner so that the organisational goal can be duly achieved. Thus, coordination involves synchronisation of different activities and efforts of the various units of an organisation so that the planned objectives may be achieved with minimum conflict.

“According to Brech, Coordination is balancing and keeping together the team by ensuring suitable allocation of tasks to the various members and seeing that the tasks are performed with the harmony among the members themselves.”

14.2 SIGNIFICANCE OF CO-ORDINATION

The significance of co-ordination as a function of management mainly arises from the fact that work performed by different groups, units or departments form integral part of the total work for which an organisation is established. Without harmonised efforts or unity of action, achievement of goals in some departments may run counter to that of the other departments, or the timing of achievements may not fit in properly. This has to be avoided and the managers have to prevent overlapping and conflict so as to achieve unity of action. With increasing size and scale of operations, the significance of co-ordination becomes more important. This is because of the following reasons -

- (a) When there is growth in size and the volume of work, there will be more people and work groups. So there is greater possibility of people working at cross purposes as the unit and sub-unit goals may be considered more important by them than the organisational goals. Not only that, the large size may also lead problems of supervision and communication. Hence coordinating the activities in a large concern becomes a major task for the managers.
- (b) Large organisations generally tend to have activities located at different places, which may not permit frequent and close interaction among people. Hence, the need for co-ordination becomes greater and it becomes a major responsibility for the managers.
- (c) Growth in size of an organisation is often combined with diversification of business activities. This may be due to new unrelated products being added to the existing products. As a result, there may be more division and sub-division of activities. At the same time, there is an increase in the number of managerial levels and vertical division of responsibilities. All these make coordination more difficult as well as important.

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In view of the importance of coordination in an organisation, it is sometimes called the 'essence' of management. It is a function of managers in all departments and branches of an organisation, and applies at all the levels of management. It ultimately helps in reconciliation of goals, total accomplishment of business objectives, maintenance of harmonious relationship between different groups and ensuring economy and efficiency in the organisation.

**INTEXT QUESTIONS 14.1**

1. Define the term Co-ordination.
2. Correct the following statements, in case found wrong.
 - (a) Co-ordination leads to diversity in action.
 - (b) The importance of co-ordination is greater in small organisations.
 - (c) As work is divided and sub-divided, the necessity of co-ordination is increased.
 - (d) Co-ordination is the function of lower level managers only.
 - (e) In the absence of co-ordination, organisational goals may be neglected by managers.

14.3 MEANING OF CONTROLLING

Managerial planning results in the framing of objectives and laying down of targets. To achieve the objectives, a proper organisational structure is designed; people are assigned the various tasks; and are directed to perform their respective jobs. The actual performance is then assessed from time to time to ensure that what is achieved is in conformity with the plans and targets. This exactly is the controlling function. Thus, controlling as a function of management refers to the evaluation of actual performance of work against planned or standard performance and taking the corrective action, if necessary.

According to Henri Fayol, "Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established."

According to Brech, "Control is checking current performance against predetermined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance, and also recording the experience gained from the working of these plans as guide to possible future needs.

Co-ordination and Controlling

Planning and controlling are closely related and depend upon each other. Controlling depends upon planning because planning provides the targets or standards against which actual performance can be compared. Controlling, on the other hand, appraises planning. It brings out the shortcomings of planning and helps to improve upon the plans. For example, in a factory, 10 workers are required to cut steel sheets into small round pieces. The work plan prescribes that each worker should cut 40 pieces in a day (240 pieces per week). After a week, the manager finds that, out of 10 workers, 6 were able to cut only 200 pieces each and 4 could cut only 180 pieces each. In order to find out the causes of this deviation he evaluates the physical facilities provided to workers in the work place.

On being satisfied with these conditions, the manager concludes that the target of 240 pieces per week is too high for workers to achieve. Therefore, it should be revised from 240 to 200 pieces per week. Thus, the manager revises the plan because the control exercise indicated that standard he had fixed was unreasonably high and beyond the reach of the workers. It may be noted that in order to exercise effective control, managers should not only have the standards but also see that information on the gaps between actual and standard performance is made available and action taken to rectify the deviations, if any. This is essential because, without such information, managers will not be able to measure the deviations and, without corrective action, the entire control process would be a meaningless exercise.

You should also make a note that controlling does not simply involve checking the quantity of work done but also includes checking the quality of performance, the time taken and the cost incurred. In the above example, suppose each worker could cut 240 pieces per week but most of the pieces were not of the specified size or there was an excessive wastage of steel sheets. This would result in unnecessary loss to the organisation. Hence, the managers have to take steps so that the quality of work is improved and the wastage is reduced.

Thus, controlling involves

- (i) knowing the nature, quantum and time frame of the work;
- (ii) comparing the performance with the plan;
- (iii) analysing deviation, if any;
- (iv) taking corrective steps; and
- (v) suggesting revision of plans, if necessary.

14.4 CHARACTERISTICS OF CONTROL

The following are the basic characteristics of control.

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Co-ordination and Controlling

1. **Planning is the Basis of Control :** Control is said to be checking performance as per what has been planned. So planning precedes controlling and sets the standards and targets of performance.
2. **Control is a Continuous Process :** It is an ongoing and dynamic function of management. It involves a continuous review of performance and is not a one-time exercise. The period of control normally depends upon the nature of work, the amount of work and the policies of management.
3. **Control is All Pervasive :** Control is exercised at all levels of management, and is done in every functional area and at each unit or department. Thus, control is all pervasive.
4. **Action is the Essence of Control :** Control is an action-oriented process. The very purpose of control is defeated if corrective action is not taken for improvement of performance or the revision of plans.
5. **Control is Forward Looking :** Control is futuristic in nature. It measures current performance and provides guidelines for the corrective action. This ensures future performance as per plans. Thus, it is forward looking.

14.5 WHY CONTROL IS NEEDED

Controlling is one of the important functions of management. It pinpoints the deviations on the basis of which managers can take corrective steps. If no control is exercised, work may not be done as desired and inefficiencies may remain undetected. For example, suppose there is a workshop in which bookbinding is done. The owner hires five persons and tells them that at least four books should be bound per hour. The workers work for six hours a day. At the end of the day, he calls each of them to assess the work done. He finds that 'A' could bind 28 books, 'B' 25 books, 'C' 24 books, and 'D' and 'E' could bind 22 and 20 books respectively. He appreciates A's work and compliments him. He warns 'D' and 'E' because they failed to achieve the standard. His action to compliment 'A' and warn 'D' and 'E' is primarily due to his controlling process. Suppose he does not check the work and treats all the workers alike, 'A' may not be inclined to show better performance and the inefficiency of 'D' and 'E' will not be detected and is likely to continue.

The importance of control has considerably increased now-a-days due to several reasons. Business units have grown in size and include a large variety of operations. There is greater competition in the market among different producers and sellers. Hence, the managers have to maintain and continuously improve the efficiency of operations. For this purpose, regular checking of the work done is required. This may also help in minimising the cost and wastage. It is also necessary that targets of achievement are raised from time to time and employees duly rewarded for better performance of work. This is possible only through the process of control. Thus, controlling

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- (a) helps in achieving the targets;
- (b) helps in taking corrective action on time;
- (c) helps in monitoring and improving employees performance;
- (d) helps in achieving better coordination;
- (e) helps in better planning;
- (f) helps in minimising errors;
- (g) facilitates decision making; and
- (h) simplifies supervision.

Relationship between Planning and Controlling

Planning fixes the goals/standards to be achieved. Controlling checks the actual performance with the standards fixed. Therefore, planning fixes the criteria for controlling. Thus, without planning control is blind.

Planning sets the course of actions. Control compares the actual course and the planned course. Control identifies deviations from the course and initiates corrective actions. Planning is fruitful when control is exercised.

Planning is forward looking as all plans are prepared for future. But it looks ahead on the basis of past data. So we can say planning is both backward looking and forward looking.

Controlling is forward looking because controlling involves comparing the actual performance with the planned performance. Controlling is backward looking because manager looks back at previous year's performance to find the deviations from the standard. Like planning, controlling is also both backward looking and forward looking.



INTEXT QUESTIONS 14.2

1. State the meaning of the term 'controlling' in your own words.
2. Complete the following incomplete words with appropriate letters by using clues given at the bottom. Each blank represents one letter only.

(a) D _ V _ _ T _ ON	(b) P _ _ V A _ _ V _
(c) F _ T _ _ I _ T I _	(d) _ N _ _ I N _

Clues

- (a) When actual performance is different from planned performance.

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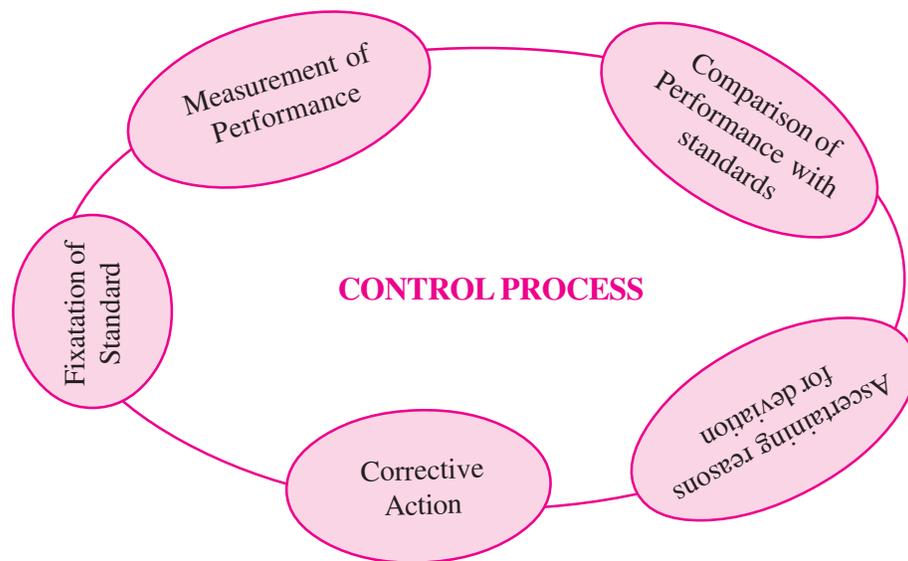
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- (b) Control is needed at all levels, in every functional area.
- (c) Control is forward looking.
- (d) Control is a continuous process.

14.6 PROCESS OF CONTROL

The process of control consists of various steps. Look at the following example.

Ram is employed in a garments manufacturing company. His job is that of sewing trousers. His supervisor specifies that he should sew 20 trousers in a day. This is the first step of the control process, i.e., fixation of standards. At the end of the day, the supervisor counts and finds that Ram has completed only 18 trousers. Thus, the “measurement of performance” is the second step in the control process. Then he compares it with the standards. This is the third step of the control process called “comparison of performance with standards”. While comparing the performance of the other workers he finds that the two workers have produced less than the standard. When the supervisor tries to ascertain the reasons for the poor performance, he finds that machines on which the other two workers were working had developed some fault. This is the fourth step in controlling and is known as “ascertaining reasons for deviation”. Then, in order to avoid such unexpected defects in machinery in future, the supervisor decides that everyday there will be an inspection of all tools and equipments. This is “corrective action”, which is the fifth and last step in controlling.



Let us now discuss these steps in detail.



Notes

1. **Establishment of Standards :** Setting standard is the first requirement of control. Standards arise out of plans and provide the basis of comparison. There can be different types of standards, e.g., number of units to be produced per hour, cost of production per unit, permissible quantity of scrap and wastage per day, quality of the products and so on. As far as possible, the standards should be laid down in quantitative terms. A quantitative standard provides a concrete measure and helps in comparison. It is equally important that the standards fixed are realistic and attainable, neither too high nor very low. If these are too high, employees will be discouraged. On the other hand, if these are too low, the organisation will operate at a lower efficiency level leading to higher cost.

When standards may not be achieved fully, a range of tolerable deviations should also be fixed. This can be expressed in terms of minimum and maximum limits. Performance within the permissible range may not require any corrective action.

2. **Measurement of Performance :** When standards are established, the next step is to measure the performance at regular intervals. Measurement is not difficult in case of physical operations, e.g., units produced, cost incurred, time spent, etc., as these can be easily measured. Performance can be measured by observations, inspection and reporting. Generally, at lower levels, a detailed control is exercised at frequent intervals on the basis of observation and inspection. For higher levels of management, reports are prepared at regular intervals. Performance should be measured as early as possible so that if a corrective action is called for it may be taken in time.
3. **Comparison of Performance with Standards :** The next step in the control process is comparison of actual performance against the standards. In case the standards set are well defined and can be measured objectively, comparison becomes very simple. But, in case of activities where, it is difficult to develop measurable quantitative standards, the measurement and appraisal of performance becomes difficult.

Comparison of actual and standard performance may lead to three possible outcomes: actual performance may be (a) equal to, (b) more than, or (c) less than the standard. If actual performance is equal to the standard, managers need not take any action but where deviations are noticed, corrective action becomes necessary. The managers should ascertain whether these deviations are within the permissible range or outside it. Corrective action becomes necessary only for deviations which fall outside the permissible range.

4. **Detecting the Reasons for Deviations :** Before taking any corrective action, managers should try to ascertain the reasons for the occurrence of deviations. The fault may be that standards fixed were unattainable rather than the subordinate's

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inefficiency. Again, the deviations might have been caused by the nature of instructions issued by the manager rather than due to the subordinate's mistake. Hence, it is essential that the reasons, which caused the deviation, be ascertained to determine the appropriate corrective action.

5. **Taking Corrective Action :** Once the causes for deviations become known, the next step is to go in for a corrective action which may involve revision of standards, changing the methods of selection and training of workers or providing better motivation. As stated earlier, managers should concentrate only on major deviations. The minor deviations, i.e., deviations within permissible range, should not be a cause of anxiety. The rectification of deviations from the standards should be undertaken promptly so that further losses are avoided.



INTEXT QUESTIONS 14.3

1. Match the phrases in column (I) with those in column (II)

Column (I)

Column (II)

- | | |
|--|--|
| (a) Fixation of standards | (i) Actual work done |
| (b) Measurement of performance | (ii) Comparison of actual performance with the standards. |
| (c) Appraisal of performance | (iii) Establishing the desired level of performance. |
| (d) Determination of reasons for deviation | (iv) Efforts to make the actual performance confirm to the standards. |
| (e) Taking corrective action | (v) Why is there a difference between actual performance and standard performance. |
2. Following is the sequence of events in Gopal's readymade dress factory during the month of April 2014. Arrange them in proper order keeping in mind the process of control.
- Gopal fixed a target of 500 shirts for the month of April 2014.
 - Gopal changed defective machines and also the incompetent workers.
 - On 30 April 2014 Gopal found only 400 shirts could be prepared.
 - Gopal was upset to see the output as it was 100 shirts less than the target set for the month.
 - Gopal found some machines were giving trouble and also some incompetent workers wasting their own and other's time.



WHAT YOU HAVE LEARNT

- Co-ordination means orderly arrangement of group efforts to provide unity of action in the pursuit of a common goal.
- The significance of co-ordination as a function of management arises mainly from the fact that without harmonized efforts, different activities may result in neglect of the organisational goals.
- Control refers to evaluation of actual performance and taking corrective action, if necessary.
- Controlling is important to make planning a success. For this purpose, it is necessary to compare actual performance with the planned performance. The difference between actual and planned performance is called 'deviation'. Control means determining the deviation, identifying the reasons for deviation and correcting the deviations.
- Characteristics of the controlling function of management:
 - ▶▶ closely associated with planning;
 - ▶▶ all pervasive;
 - ▶▶ action is the essence of control;
 - ▶▶ continuous process; and
 - ▶▶ exercised at all levels of management.
- Steps in the process of control
 - ▶▶ establishment of standards;
 - ▶▶ measurement of performance;
 - ▶▶ comparison of actual performance with planned performance;
 - ▶▶ determination of reasons for deviation;
 - ▶▶ taking corrective action.



Notes



KEY TERMS

Control	Measurement of performance	Unity of action
Co-ordination	Standards	Working at cross purposes
Deviations	Supervision	

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Management***Notes****Co-ordination and Controlling****TERMINAL EXERCISE*****Very Short Answer Type Questions***

1. State any two advantages of coordination.
2. State any four characteristics of control.
3. What is 'deviation' in the context of control?
4. State any two reasons of importance of control.
5. What do you mean by controlling.

Short Answer Type Questions

6. What is meant by control?
7. List the steps in the process of control.
8. Explain briefly why coordination is called essence of management?
9. Planning and control are inseparable. Discuss in brief.
10. What should a manager do when there is difference between actual and standard performance.
11. 'There is a close and reciprocal relationship between planning and controlling'. Comment.

Long Answer Type Questions

12. Explain various steps of the process of control.
13. Co-ordination is needed at all levels and in all functional areas of management. Comment.
14. Describe the characteristics of control.
15. State the meaning of controlling. Why is it required that every organisation must follow certain control system in its activities.
16. Describe in detail the relation between controlling and planning.

**ANSWERS TO INTEXT QUESTIONS**

- 14.1** 2. (a) Coordination leads to unity in action.
 (b) The importance of co-ordination is lesser in small organisations.

Co-ordination and Controlling

- (c) Correct
 (d) Coordination is the function of all levels of management.
 (e) Correct

- 14.2** (a) DEVIATION (b) PERVASIVE
 (c) FUTURISTIC (d) ONGOING

- 14.3** 1. (a)–(iii) (b)–(i) (c)–(ii)
 (d)–(v) (e)–(iv)
 2. 1 (a) 2 (c) 3 (d) 4 (e) 5 (b)



DO AND LEARN

Mohan is the owner of a tailoring shop supplying school uniforms. He has 3 workers. He himself does the cutting work. For a long time he is receiving complaints from his customers that the dresses are not delivered to them in time. What should he do so that customers may be served in time? Get in touch with a tailor or persons involved in such activities to ascertain the reasons and suggest a suitable measure.



ROLE PLAY

Ram Swaroop is a businessman having a ball-bearings making factory. About six months ago, he had set up a small unit for his son Suyash. There he makes inverter batteries. While having breakfast on a Sunday morning he asked his son about the progress in his business. His son was looking tense and unhappy.

- Ram Swaroop : What is the matter? Are you doing fine in your business?
- Suyash : No papa, things do not seem to be working out. Profits are not as good as I wanted.
- Ram Swaroop : If we are not able to achieve the targets in terms of sale, profit, cost, resource utilisation etc, either our targets are too high or our performance is below standards. We need to evaluate both from time to time.
- Suyash : Papa, once I have invested money, bought the latest machines, raw materials and employed competent people, why should I not get the desired profits?

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MODULE - 5*Functions of
Management***Notes****Co-ordination and Controlling**

Ram Swaroop : Business is not simply making and implementing the plans. Another important part is taking the performance in the right direction with proper use of control.

Suyash : Control?

Ram Swaroop : Controlling is ensuring from time to time that performance is according to the targets set.

(Further Ram Swaroop guided his son as to how he can ensure that his unit makes profits like others, using proper process of control)

Choose a role for yourself and one for your friend and continue the conversation.