

Unit 1

Fundamental Concepts about Management

Meanings of Management

Definition 1

Management is the process of designing and maintaining an environment in which individuals working together in groups, accomplish efficiently selected objectives.

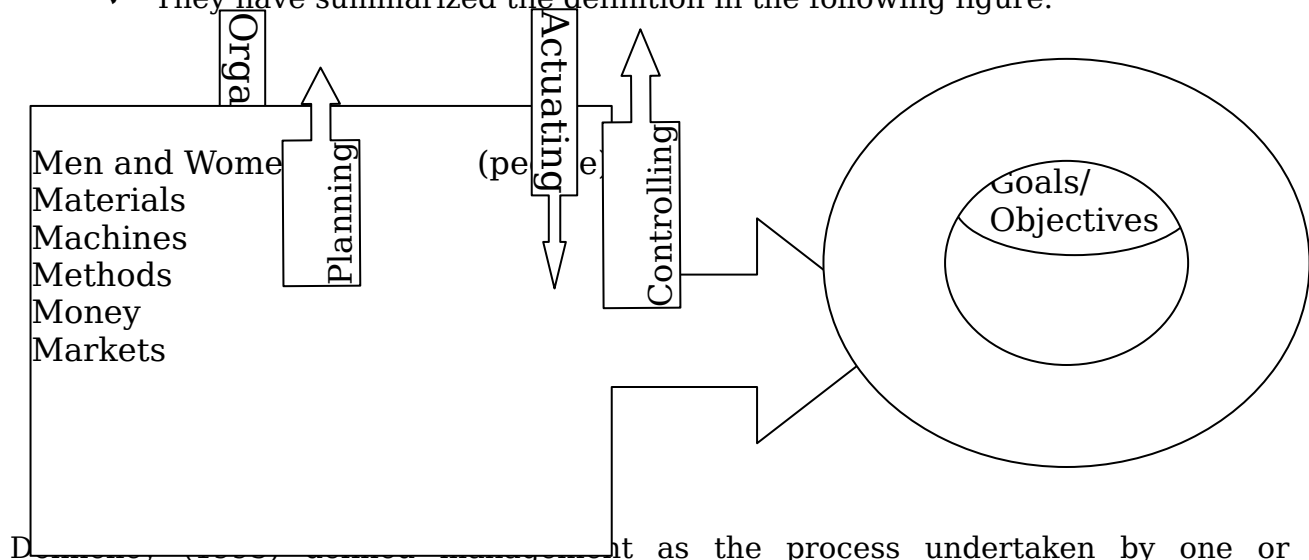
It is concerned with:

- 0 Identifying the aims and/or objectives of an organization
- 1 Implementing programs by setting procedures, policies and strategies to help in the achievement of organizational aim and/or objectives
- 2 Bringing together all the various factors of production (Man/People, money, materials, machinery, methods, and markets)
- 3 Making the best possible use of the factors of production
- 4 Exercising control over the performance of the factors of production and
- 5 Providing conditions in which the persons associated with the organization (owners, employees, customers, and the community at large) derive maximum satisfaction

Definition 2

Terry and Franklin (1997) defined management as the distinct process consisting of activities of planning, organizing, actuating, and controlling performed activities to determine and accomplish stated objectives with the use of human beings and other resources.

✓ They have summarized the definition in the following figure.



Definition 3: Management is the process undertaken by one or more individuals to coordinate the activities of others to achieve results not achievable by one individual acting alone.

Definition 4

Ivancevich (1981) defined management as the process undertaken by one or more persons to coordinate other persons' activities to achieve high quality results not attainable by any person acting alone.

Definition 5

Management is the process of reaching organizational goals by working with and through people and other organizational resources.

Definition 6

Management is the process of planning, organizing, staffing, directing and controlling.

Definition 7

Management is the effective and efficient integration and coordination of resources to achieve desired objectives.

- Objectives - are the targets toward which organizational members move to fulfill its vision
- Effectiveness - refers to how well an organization reaches its objectives over a period of time.
- Efficiency - is a short term measure of how well an organization uses its resources.
- Resources - are what employees must use efficiently (it includes people, capital/financial resources, technology, time ... etc.
- Coordination and integration - resources must be combined in to an effective organization.

Common Elements of the definitions given above

- Management is a process
- Management consists of functions and activities
- The activities lead to select and set objectives
- The coordination of activities involves people
- The activities focus on designing and maintaining an environment and the coordination aims at the achievement of qualitative and quantitative results.

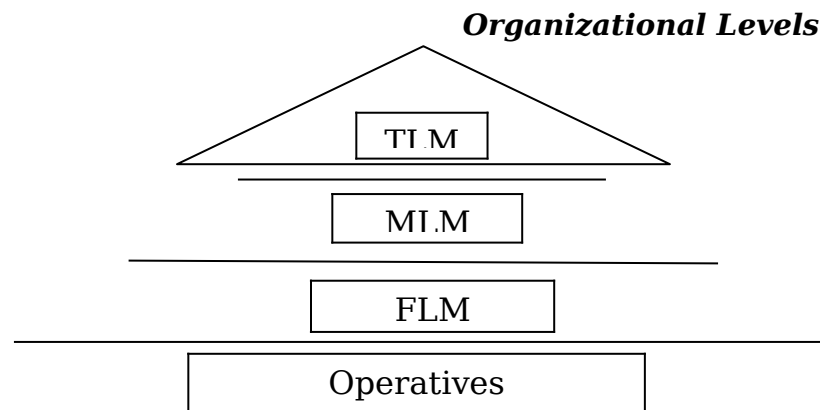
People in an organization can be broadly divided in to two:

A. Managers

They are individuals who are responsible to take action that will make it possible for individuals to make their best contributions to group objectives.

B. Operatives

They are people who work directly on organizational jobs or tasks and have no responsibility for overseeing the works of others.



Nature/ Characteristics of Management

1. Management is a universal process

Wherever there is human activity, whether individual or joint, there is management. The process of management can be noticed in all spheres of life while getting things done through other people. Managerial **principles, concepts** and **theories** are applicable in different organizations irrespective of the type and levels of organizations. However, it does not take the same form in all situations.

*The **functions of management** are common in every activity be it in a profit making or non-profit making, government or private, small or big and multinational, at all levels of management- at the top level or at the technical level.*

2. Management is a continuous process

The process of management mainly consists of planning, organizing, staffing, directing and controlling the organizational activities and resources so as to achieve the desired objectives.

Therefore, it requires the undertaking of all functions sequentially and sometimes overlapping on each other. There is **no end for these functions**. That is they must be carried out always without interruption so long as the organization exists.

3. Management is an additional factor of production

Just as land, labor and capital have to be brought together and put to effective use for the production and distribution of goods and services, similarly managerial skills have also to be acquired and effectively used for the purpose.

❖ Land, Labor, Capital, Management (KL & Skills) →Process → Output/Product

Labor refers to the paid employees of the organization who are working in different levels as skilled, unskilled, semi-skilled, manager, supervisor and the like. **Capital** refers to the **working capital** as in the form of cash, raw materials and finished goods and **fixed capital** as in the form of plant facilities and production facilities.

4. Management is goal-oriented/ Purposeful

The **essence of management is achievement of** something specific, expressed as an **objective or a goal** (Terry and Franklin, 1997). **Management is meaningless without organizational goal accomplishment.**

5. Management is creative

The job of management is to make productive enterprise out of human and other resources.

6. Management is supreme in thought and action

Management sets realizable objectives and then masterminds action on all fronts to accomplish them.

7. Management is a group activity

The basic requirement of successful management is replacing "I" with "we". An enterprise will not be able to achieve its objectives if only one or a few individuals or departments thereof are efficient, the rest being indifferent.

8. Management is a dynamic function

It is the dynamic function of a collective enterprise, which is constantly engaged in casting and recasting the enterprise in the world of an ever-changing business environment. It also sometimes initiates moves that reform and alter the business environment.

If an enterprise is well- equipped to effect the changes in business environment brought about by economic, social, political, technological or human factors, it can soon adapt itself to changed environment or make **innovations** to adjust itself to it.

9. Management is a social science

This involves dealing with individuals having different levels of sensitivity, understanding and dynamism. **"Managers do not build products rather they build people who in turn build products."**

10. Management is an important organ of society

It has an important place in society. While the society influences the managerial actions managerial actions also influence society. By their decisions, and organizational undertakings, managers influence the economic, social, political, religious, moral and institutional behavior of the members of society. **Therefore, managers should be very much concerned about their decisions.**

11. Management is a system of authority

Using its authority management brings about a harmonious arrangement and pattern among the different resources employed in an undertaking. For this, it is necessary that the authority vested in the management is exercised properly and correctly.

12. Management is a profession

It is a field of study with relevant knowledge and skills. Managers need to possess managerial knowledge, skills and training. A discipline is an organized body of knowledge that **can be learnt through formal education**. It will have its own theories, principles and concepts that can be transferred from person to person. The boundaries of management are not exact as those of any other physical science. It may be increased by the continuous discovery of many more aspects of business enterprise. So, the management status as a discipline is also increased in the same manner.

13. Management is multidisciplinary

Management is neither self-sufficient nor self-contained. It depends on wide range of knowledge derived from engineering, mathematics, statistics, history, theology, accounting, economics, biology, military, etc.

14. Management is intangible

It is an unseen force. It can be seen / felt through products or results achieved.

We can say management of a certain company is good or weak on the bases of the satisfaction or dissatisfaction of organizational members, the attainment of goals, the existence of harmony and coordination among organizational members both operatives and

managers of the organization. Otherwise, we cannot see or touch it. Therefore, it deemed to be intangible.

15. Management is both a science and an art **Management as a science**

As an organized body of knowledge, science is characterized by the application of scientific methods to the development of knowledge.

So, science has clear concepts, theory and other accumulated knowledge developed from hypothesis (assumption that something is true), experimentations, observations, and analysis.

Science is systematized in that it establishes cause and effect relationship between different variables.

Management principles are capable of universal application as science is.

Management is a social/soft science because it involves/studies human behavior.

It is not possible to study and predict human behavior under laboratory because human behavior is an ever-changing and unpredictable.

Concept- is a clear mental image of anything formed by generalization from particulars.

Principles - are generalizations or hypothesis which reflect or explain reality.

Theory- is a systematic grouping of interdependent concepts and principles which give a framework to, or tie together, significant knowledge. It is a filling cabinet in which facts can accumulate.

In other sense management is a science because of developing certain principles or laws which are applicable in a place where a group of activities are coordinated. **A subject is said to be a science, if it fulfills the following characteristics.**

1. The availability of clear concepts (mental images) i.e. **scientific words, phrases, terms said to be exact, relevant, and informative to the scientists/practitioners.**
2. The availability of **scientific methods/approaches**
3. **Universality** (objectivity) of principles
4. The **availability of accumulated knowledge** developed from hypotheses, experimentations, observations and analyses.

Management as an Art

Management is an art in the sense of possessing of managing skill by a person.

An art is the practice, the know-how, the subjective judgment, the intuition, doing things in the light of situations, the rule of thumb, hunches, guesswork, and trial & error approach followed in doing jobs.

Supporters of management as Art (like Jucius and scholonder) justify that:

- Managers as leaders are born not made
- Managers depend up on their intuition/creativity to make decisions.
- There have been a number of successful managers who have not been educated in management.
- Therefore, creativity and experience is more important than formal education for managers.

Art is a personalized process as every artist has his/her own style. Management is essentially creative and the success of an artist is measured by the results he/she achieves.

As an art, management requires subjective judgment and skills.

Thus, management is both an art and a science. Science and art are not mutually exclusive rather they are complementary to each other.

Administration versus Management

There are three views

V1. The terms administration and management are used synonymously.

Some writers argue that both terms have same meanings. So, there is no difference between these two terms.

V2. Others argue that, running of a business requires skill which is called Management. The functioning of government departments and non-profit institutions requires skill which is called Administration.

V3. Others argue that, administration is distinguished as a top level function while management is a lower level function. In this case, administration is considered as broader as that it includes management.

Differences between Administration and Management (based on V3)

<i>Basis of Distinction</i>		<i>Administration</i>
<i>Management Policy & Objective</i> policy &	Determine policy to be followed &	<i>Implement the</i>
<i>objectives</i>	Decide the objective to be achieved	<i>achieve the</i>
<i>Determining of human efforts</i> involve in the	Don't directly involve in the execution	<i>Directly</i>
& objective.	of plan & achievement of objectives	<i>execution of plan</i>
<i>Main functions</i> Controlling	Planning, Organizing, & Staffing	<i>Directing &</i>
<i>Levels of Executive</i> executives	Top level executives (Owners or BOD)	<i>Lower level</i>
<i>Position</i> agency	Act as principal	<i>Act as an</i>
<i>Knowledge</i> technical ability	Requires administration/conceptual	<i>Requires</i>
<i>administrative ability</i>	ability more than technical ability	<i>more than</i>

The Importance of Management

1. Management meets the challenge of change

In the modern business world, there are frequent changes. The changes might place the business in a dangerous position. Only an efficient/good management can save the business from the dangers brought in by the challenges. The efficient/good management tries to forecast what will happen in the future and prepares the organization for that change.

2. For the efficient utilization of business

There are seven M's in the business. These are said to be man, money, materials, methods, machines, markets, and management. Management is the topmost of all other 'M's. Management has control over other remaining 'M's. ***Without management either they do not exist at all or they may function at a lower efficiency.***

Managers must ensure productivity. ***Productivity refers to the ratio of output to input in a given time period with due consideration for quality.*** It is also a measure of the effectiveness and efficiency of operations in an organization. It can be expressed as follows:

$$\text{Productivity} = \frac{\text{Outputs within a time period, quality considered.}}{\text{Inputs}}$$

Effectiveness is the achievement of objectives and it means doing a right thing. ***Efficiency*** means the achievement of the ends with the least amount of resources or without wastage. Quality is defined as the totality of features and characteristics of a product or service that bear on the ability to stated or implied needs (Ivancevich)

Management accomplishes group goals with efficient utilization of resources

The achievement of objectives of a business depends upon three factors. They are the proper planning of available resources, adjusting possibilities of business unit with existing business environment and the quality of decision taken and control made by the business unit. These are the factors responsible for achieving objectives and they are the activities of management. These activities help organizations to use resources more effectively and efficiently.

3. For the effective functioning of business

Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective functioning of business.

- Management makes sure that the abilities of workers are properly used and co-operation is obtained with the help of mutual understanding. Besides, management can know the expectation of workers and the expectation is fulfilled through motivation techniques.
- New ideas are developed by the management and implemented in the organization. Better performance is achieved through new ideas.

4. Sound organization Structure

Management lays down the foundation for sound organization structure. Sound organization structure clearly defines the authority and responsibility relationship - who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.

5. Management directs the Organization

The **human mind directs and controls the functioning of human body**. Similarly, **management directs and controls the functioning of an organization**. Management directs the organization through integrating various interests of members, creating stability, innovation, coordination, team-spirit and tackling problems. Efficient management is the life boat of any developed business.

Each person has his/her own interests. These interests are different in nature. **Management** takes steps to **integrate various interests** to achieve the objectives of an organization. Instabilities are created in an organization due to many causes such as government policy change, competitors' pressure and changing preference of customers. An efficient management can run the business as per the policy framed by the government; face the competitors in the market and produce the articles as per the preference of customers.

All the activities of business are grouped department-wise. Management co-ordinates the activities of different departments and establishes team-spirit to achieve the objectives. Good management acts as a friend or a guide of workers while tackling problems. When workers get over confidence of solving the problems for effective performance of a job, they fail in tackling the problems efficiently.

6. It is a tool for personality development

Management gives direction to workers for effective performance of a job. Besides, **new methods or techniques are taught to workers**. The **training facilities are arranged by the management**. In this way, management is a tool to develop the personality of workers to raise their efficiency and productivity ability.

Functions of Management

Different scholars in the field of management have their own classification of functions of management. Some scholars add few functions and delete some other functions. However, the important management functions are the following.

1. Planning

Planning refers to deciding in advance **which will be done** in the near future. Organizations are established with some objective to be achieved. In order to achieve objectives, the organization plans **what** is to be done, **when** it is to be done, **how** it is to be done, and **by whom** it is to be done. George R. Terry has rightly said "planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal.

2. Organizing

It is the function of management that **assigns the tasks** identified during planning to individuals and groups within the organization so that objectives set by planning can be achieved.

It is a **process of creating and designing an organizational structure** which describes the relationship between different departments and units within the organization. And the structure shows who has an authority over whom and who reports to whom. Organization provides all facilities which are necessary to perform the work.

It defines the position of each person in the organization and determines the paths through which communication should flow. The manager would determine who should report to whom and how.

3. Staffing

It **includes all activities attachable with manpower planning & development**. Staffing function comprises the activities of recruiting, selecting, placement, training, developing, and promotion etc. In other words, staffing refers to placement of right persons in the right jobs. Staffing includes selection of right persons, training to those needy persons, promotion of best persons, retirement of old persons, performance appraisal of all the personnel, and adequate remuneration of personnel. The success of any enterprise depends upon the successful performance of staffing function.

4. Directing

The actual performance of work starts with the function of direction. Planning, organizing and staffing functions are concerned with the preliminary work for the achievement of organizational objectives. But directing deals with making the workers learn techniques to perform the jobs assigned to them. Directing includes **guidance, co-ordination, supervision, motivation, communication, and leadership**, for an action. According to Joseph Massie, "Directing concerns the total manner in which a manager influences the action of his subordinates.

5. Controlling

It is a function of management that **makes sure that the organization's actual/future performance conforms to the performance that was planned for it**. It is the process of ascertaining that the achieved objectives are in line with the pre-determined objectives. Necessary corrective action may be taken if there is any deviation. The control is very easy whenever the organization has a fixed/quantitative standard. Controlling goes with planning. If there is no plan there will be no controlling.

Relationship between management levels and managerial functions

Managerial functions are performed by all managers at all levels. However, the relative emphasis and importance of these functions are different relative to the levels of management.

For instance, the type of plan developed by top level management is broader, general, and long-term and affects the whole organization. Whereas, a plan developed by the first line manager is relatively short-term, more specific, measurable and affects mainly that specific unit or section. The same is true to other managerial functions.

Levels of Management

Relative importance and emphasis of functions of

	<i>Planning</i>	<i>Organizing</i>	<i>Staffing</i>	<i>Directing</i>	
<i>Controlling</i>					
Top Level M	More	More	More	Lower	Lower
Middle Level M	Medium	Medium	Medium	Medium	Medium
First/Supervisory Level	Lower	Lower	Lower	More	More
<i>Managerial Roles</i>					

A role is a behavior pattern expected of an individual within a unit or position. As managers have some expected behavior as they assume certain positions in the organization. Their role differs as they change their positions. According to Henry Mintzberg managers have ten roles which can be categorized into three main categories. These roles of managers will be discussed as follows.

A. Interpersonal Roles

They grow out of the manager's formal authority. They focus on the interpersonal relationships. The following three sometimes routine interpersonal roles are performed by managers and are used by managers to keep their organizations running smoothly. They are: figurehead role, leadership role and liaison.

1. Figurehead Role

Managers perform ceremonial symbolic duties as head of the unit than substantive such as: greeting visitors, attending subordinates' wedding ceremonies, taking customers to lunch, attending ribbon-cutting ceremonies and handing over diplomas at graduation.

This role is mainly performed by top level executives. For instance, when the president of Ethiopia greet guests at the airport or invite guests for dinner or attends a funeral event on behalf of us he is performing the figurehead role.

2. Leadership Role

It involves **directing and coordinating subordinates' activities**. It deals with hiring, training, motivating /encouraging subordinates. **First-line managers, in particular, stress effectiveness in this role.**

A manager who formally or informally shows subordinates how to do things and how to perform under pressure is leading. It also involves controlling or making sure that things are going according to plan.

3. Liaison Role

It involves in **creating contacts both inside and outside** the organization but outside ones area of command.

For instance, the top level manager may create relationship with people outside the organization (suppliers or clients). The department manager may try to establish contact with members of the other department or people outside the organization other than the members. The first line manager may also establish contact with people in other department of the same organization. All these efforts of managers to create contacts are referred as a liaison role.

B. Information Roles

Under this role the manager receives and disseminates information from the different sources and to the different users be members of the organization or outsiders.

1. Monitoring Role

It involves in **examining the environment** to discover information, changes, opportunities, and problems that may affect the unit. They question subordinates and collect unsolicited information, usually through networks of contacts. They may also create contact with people outside the organization to collect info.

They create both **formal and informal contacts** so as to gather more information. For instance, the manager of your organization might have lunch with his friends and might gather some information about the organization, its products, employees' behavior, quality of services, and customer complaints etc.

2. Disseminator Role

Once managers collect information, they will disseminate it to those who are concerned. In this case managers distribute to subordinates (only to **people inside** the organization) important information they would not otherwise know. This might be done through meetings, memos, and instructions.

3. Spokesperson Role

In this case managers transmit information to **people outside** their own groups or unit. It also involves in informing **people outside** the organization about the activities, **results and future plans** of the organization. For instance, when the Public Relations officer of Ethiopian Road Authority informs the society about the roads constructed, the amount of capital invested, the roads planned to be constructed, the amount of capital budgeted for its construction, the name of the contractor and the sources of the capital she/he is performing the spokesperson role.

In addition your department manager or division head or section head or team leader, whichever is yours, is making a report about the activities carried out and the results achieved to organizational members but who are not subordinates, she/he is performing the spokesperson role.

In general when a manager collects information from any source formally or informally, this is said to be monitoring role. When this information is disseminated to subordinates but not outsiders it is said to be disseminator role. And when this information is disseminated to others other than one's own domain or territory and people outside the organization it is referred to as spokesperson role.

C. Decision- Making Role

This role is the end whereas the preceding roles are important but inputs. Information is the basic input to decision-making for managers.

1. Entrepreneurial Role

This role involves the managers' readiness and ability to improve units, products and organizational activities. It also deals with the ability and readiness of managers to initiate change, to take risks and to innovate activities at their own free will-voluntarily.

2. Disturbance Handler Role

They are responsible to handle disturbances that affect the success of the organization. Managers assume this role under the following conditions: when conflicts between subordinates arise, when a subordinate suddenly departs, when an important customer is lost, when employees strike, as breach of contract occurs, as customers bankrupt and the issue of copyright arises.

3. Resource Allocator Role

Managers decide how and to whom resources including the managers own time should be given. Managers have an authority over resources. They have the right to make decisions about what will be done, how much money will be spent to do it, where to locate manufacturing plants, branch facilities, retail stores, and other facilities. They also have the right to decide about who will be employed, how much will be paid, the working conditions, what they will do, when they will work, the physical environment in which they will work, who their associates at work will be, and set policies related with promotion, demotion, transfer and termination.

4. Negotiator Role

Managers spend a lot of their time as negotiators because only they have the knowledge and authority this role demands. For instance, a company president may deal with a consulting firm, a production manager head might draw up a contract with a supplier, or negotiate with other department for additional support, a manager negotiate a union contract, set an agreement with a consultant and establish a long term relationship with a supplier.

Types of Managers

There are two criteria to classify managers

A. Types of managers based on Levels of Management

On the basis of levels of management there are three types of managers.

1. Top level Managers

- They are also referred to as Strategic level/Administrative level managers.
- They are responsible to develop long term, comprehensive/general plans, set broad objectives, overall strategies, operating policies and establish the relationship of the unit with the environment.
- They are also responsible to scan the external environment and act accordingly so that the organization can achieve its objectives.
- They officially represent the organization to the external environment by meeting with government officials, executives of other organizations and so forth.
- They make important decisions that affect the overall organization such as: acquiring other companies, investing in research and development, entering or abandoning various markets and building new plants and office facilities.
- They are relatively small group of executives who control the organization's activities.
- **Titles of such managers include:** President, Vice-president, Managing Director, Deputy Managing Director, Chief Executive Officer (CEO)

Deputy- Someone who is next in rank to the person in command, who has the power to take charge when the leading person is away.

2. Middle Level Managers

- They are also referred as Functional/Tactical/Departmental level managers.
- They are primarily responsible for implementing the policies and plans developed by top level management and for supervising and coordinating the activities of first-level managers.

- They are responsible to interpret and communicate the policies, strategies, procedures and rules developed by top level managers to the first line managers.
- They serve as a bridge between top level managers and first line managers.
- They are probably the largest group of managers in most organizations-especially in big organizations.
- **Common titles include:** Plant Manager, Operations Manager, Department Manager, Area Manager, and Division Manager.

3. First-line Managers

- They are also referred as Operational/Supervisory level or Technical level managers.
- They supervise and coordinate the activities of operating employees.
- They plan day-to-day production within the goals laid down by higher authorities.
- They typically spend a large proportion of their time experiencing the work of subordinates/operatives
- They supervise others who are without managerial responsibilities. Therefore their subordinates are not managers. (They are the only managers who do not manage other managers)
- They report feedback information and workers' problems which cannot be solved at the supervisory level.
- **Common titles include:** Foreman, Supervisor, Office Manager, Head nurse, Section Head, etc.

B. Based on the Range of organizations activities for which they are responsible there are two types of managers.

1. Functional Managers

Functional managers are responsible for **one/specific** organizational activity.

Common titles include: Finance Manager, Production Manager, Human Resource Manager, Marketing Manager, etc.

2. General Managers

General Managers are responsible for **all or many** activities of an organization. The number of general managers depends on the size of the particular organization. If the size of the organization is large there will be many general managers otherwise the number of general managers is few or only one in small organizations.

Qualities of a Good Manager

A study by Harbridge House, a Boston Consulting firm, identified 10 qualities of a successful manager regardless of age, sex, industry, organization size or corporate culture. They are:

1. Provide clear direction

A successful manager should establish explicit goals and standards for people, communicate group goals not just individual goals, involve people in setting these goals and not simply state them to workers and must be clear and thorough in delegating responsibilities.

2. Encourage open Communication

Managers must be candid (frank/honest) in dealing with people. If managers are honest, and frank (open and direct) subordinates will try to be the same -as managers are symbols

to their subordinates. Open communication eliminates/avoids dalliance/flirtation, corruption, influence, and information gap.

3. Coaches and supports people

It is about being helpful to others, working constructively to correct performance problems, and going to confront with superiors for subordinates. When an employee faces personal problems, the manager should extend his/her support, because an employee, who has personal problems, cannot be effective in his/her job.

This benefits both the manager and the employee because a satisfied employee will be committed, loyal and innovative. Therefore, the support of the manager towards his/her employee should extend to the extent of the personal life of the employee.

4. Provides Objective Recognition

Managers must recognize employees for good performance more often than they criticize them for problems. They have to evaluate continuously and without looking a particular or special event.

The measurements and the methods of using these measurements should be objectively developed and implemented. Rewards must be related to the quality of job performance, not seniority or personal relationships.

5. Establishes Ongoing Controls

It is about following up on important issues and actions and giving feedback to subordinates should continuously/ with no interruption.

6. Selects the right people to staff the organization

Successful managers attract and select the best people in terms of skills and competencies to accomplish the firm's mission and goals. Selection by these managers is not made based on personal relationships, corruption, relativism, and just for the sake of employment. It should be carried out on the basis of predetermined criteria and well developed systems and procedures.

7. Understands the financial implications of decisions

Every decision involves cost be it direct or indirect or opportunity cost. As the decision is made alternatives must be identified, information must be gathered and these alternatives need to be analyzed. All these activities cause some cost. In addition, the decision will be implemented and it also needs some resources which is a cost too.

Therefore, whenever managers make decisions they have to consider the costs that will be incurred.

8. Encourages Innovation and new Ideas

This world is dynamic so as to survive in this dynamic business environment organizations are expected to introduce new methods and ways of doing their activities. This requires managers to be innovative and force them to generate new ideas from time to time. A good management also provides conducive environment to the employees so that they can be innovative and able to generate new ideas by providing the necessary training, and adequate physical and financial facilities.

9. Gives Subordinates Clear-cut decisions when they are needed

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Employees want a say in things but they don't want endless debate. There is a time to get on with things, and the best managers know when that time comes. They have to make the necessary decision at such points/at the right time.

10. Consistently demonstrates a high level of integrity

The study shows that most employees want to work for a manager they can respect. They respect a manager who always manifests honesty, open to communicate, free, candid or frank, and loyal, neatly dressed, etc. (Integrity = free from defect)

Managerial Skills

Management is a challenging job. It requires certain skills to accomplish such a challenge. Thus, essential skills which every manager needs for doing a better management are called managerial skills. To undertake their functions effectively and efficiently managers need to acquire certain skills. Regardless of the level at which managers perform, they must learn and develop many skills.

Skill refers to the ability to perform certain activity in a specific manner. It is an ability or proficiency in performing a particular task.

According to Professor Daniel Katz, there are 3 types of skills which are important for successful management performance.

- A. Conceptual Skills
- B. Human Skills
- C. Technical Skills

(See: Management by James A. F. Stoner: Page 17)

A. Conceptual Skills

It involves the ability to visualize/see the organization as a whole. It includes analytical, creative and initiative skills. It consists of the ability to see the big picture, the complexities of the overall organization and how the various parts fit together. A manager with conceptual skills is able to understand how the various functions of the organization complements one another, how the organization relates to its environment and how changes in one part of the organization affects the rest of the organization. It helps managers to identify the causes of the problems and not the symptoms. It helps managers to solve the problems for the benefit of the entire organization.

B. Human Relations Skills/People Skills/Interpersonal Skills

They are the ability to work with, communicate with and understand others. It also involves the ability to understand and motivate people.

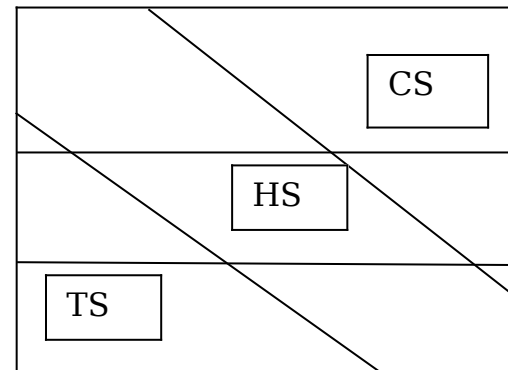
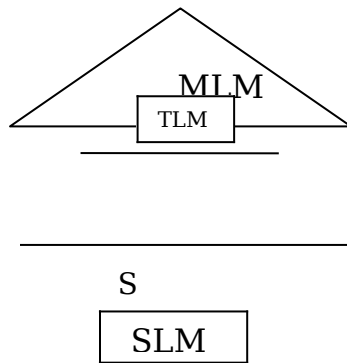
C. Technical Skills

They are the ability to use/apply specific/specialized knowledge and expertise to work related techniques and procedures in performing a work. It helps managers to use different machines and tools. They are mostly related to working with "things". FLM require more

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technical skills because they are in charge of the actual operations. Engineering skill, Computer programming skill, Accounting skill, are among the examples.

Example: Computer skills are the ability to use computer software applications and have a conceptual understanding of how computers work.



TLM require more conceptual skills and less technical skills

FLM require more technical skills and less conceptual skills

Human relation skills are required equally by all three levels of management since all managers

Have to interact and work with people. *(It is the common denominator of the three levels)*

Unit 2

Evolution of Management Thoughts

1. Brief History of Management
2. Classical Management School of Thought
 - A. Scientific Management School of Thought
 - B. Classical Organization Theory (Administrative Management Theory)
 - C. Bureaucracy
3. Neo-Classical School of Management Thought

- A. The Human Relation Movement
- B. Behavioral Science Approach
- 4. Modern Management Theories
 - A. Quantitative Approach to Management
 - B. Systems Approach to Management
 - C. Contingency Approach to Management

Unit 3

Planning

Planning is the first managerial function that all managers perform at different levels. It is very important because it lays down the groundwork for the other functions.

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Meaning of Planning

“Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap from where we are to where we want to go.” Koontz and O’Donnell.

Planning is looking ahead and deciding in advance what is to be done, where and when it is to be done, how and by whom it is to be done.

“To plan is to produce a scheme for future action to bring about specified result, at specified cost, in a specified period of time.” (Cylis L. Hudson)

Planning is a dynamic process of making decision today about future action and it is a selection or choice among alternatives as to accomplish:

- What objectives should be achieved?
- What actions should be taken?
- When should it be taken?
- Who should do it?
- Where should it be done?

In general the planning activity involves defining the organization’s objectives, establishing an overall strategy for achieving these goals and developing comprehensive hierarchy of plans to integrate or coordinate activities.

Nature or Characteristics of Planning

1. The contribution of planning to purpose/objectives

The purpose of every plan and its derivative plans is to facilitate the accomplishment of organizational objectives/end results.

2. The primacy of planning

Planning logically precedes the execution /implementation of all other managerial functions. It involves establishing the objectives necessary for group effort; whereas other managerial functions are designed to support the accomplishment of enterprise objectives.

Even if planning precedes all other functions planning and controlling are inseparable by their very nature. ***I.e. All plans are standards and are means for controlling.*** Planning and controlling are known as the ***Siamese twins of management.*** Planning without Controlling is meaningless and controlling without planning is impossible.

Example: If managers staff their organization without planning they will be constantly hiring and firing employees.

3. Planning is pervasive / universal

This means, all managers from top to bottom carryout the planning function but at different scope and depth. It is doubtful to call a person a manager if he does not plan. TLM plan the general direction of the firm and develop a strategic plan. MLM plan how to implement the strategic plan. FLM develop a work schedule and a short term plan that will help them in transforming the middle level plan to action.

4. Planning is directed towards efficiency

Plans are tools that help organizations to achieve their purpose at a reasonable/minimum cost.

5. Planning concerns future activity

A decision must be made as to what to do, how to do, who to do, when to do, where to do and what to achieve before it is actually done. ***The essence of planning is looking ahead and is concerned with deciding in the present what is to be done in the future.***

6. Planning has a dynamic aspect

The manager does planning on the basis of some assumptions which may not come true in the future. Therefore, he has to go on revising, modifying and adjusting plans in the light of circumstances prevailing.

(I.e. planning is flexible as it is based on future conditions which are always dynamic)

7. Planning uses information as an input

Basically there is no plan without information, for a plan to exist information is necessary.

8. Planning is a means to an end

Planning is not an end by itself, but a means to an end. It is an instrument that pushes human effort towards the achievement of objectives.

Significance/Importance of Planning

1. To coordinate efforts

Management exists because the work of individuals and groups in organization must be coordinated; and planning is one important technique to achieve coordinated effort. Planning can bring cooperation and coordination among various sections of the organization. The rivalry/conflicts among departments could be avoided through planning.

2. To prepare for change / offset uncertainty

An effective plan of action allows room for change. Future is always full of uncertainties and changes which make planning a necessity. Since planning has a dynamic aspect it enables managers to cope-up with the ever-changing business environment.

3. To develop performance standards

Plans define expected behavior, and in management terms they are performance standards. ***Plans can be used as performance standards which can be used to assess actual performance.*** This facilitates control of actual performance against expected performance. In simple words, ***planning without control is useless and controlling without planning is impossible.***

4. To develop managers

Good planning involves the art of making difficult things simple. This requires high level of intellectual activity so that planners can be able to deal with complex, abstract ideas and information. ***Planners must think systematically about the present and the future because planning implies that managers be proactive and make things happen rather than reactive and let things happen.*** Through the act of planning, managers not only develop their ability to think ahead of time about the future but also the extent that their plans are effective.

5. To gain economical operation/Efficient utilization of resources

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Planning minimizes costs because of the emphasis on efficient operation and consistency. Unnecessary production, inefficient utilization of resources and unnecessary activities of an organization are eliminated through planning.

6. Avoiding business failures

Planning includes the selection of best objectives, conversion of uncertainty into certainty, economy in operation (effective utilization of resources), facing the complexities, effective control. If these all come true business failures can be avoided.

Factors Limiting Planning

According to Koontz, O'Donnell and Weihrick limitations of plans are categorized into two:

1. Internal Inflexibilities

Internal inflexibilities are those that exist within an organization. Major internal inflexibilities that may limit planning are related to human psychology, policies and procedures and capital investment.

A. Psychological inflexibility

Managers and employees in an organization may develop patterns of thought and behavior that may be hard to change. Managers instituting a new plan are often frustrated solely by the unwillingness or inability of people to accept change. Therefore, it requires patient selling of ideas, careful spreading of information, aggressive and intentional development of a tradition of change among the members of the organization.

B. Policy and Procedural inflexibility

Closely allied to psychological inflexibilities are those internal rigidities that are built into policies and procedures. ***Once established policies and procedures become ingrained in an enterprise and changing becomes difficult. This problem is common in most organizations as they get older.***

Organizations develop procedures that seem to work; people get accustomed to them and cling to old ways even after new situations arise. New people are trained in old ways and almost explosive forces may be required to effect changes. One of the most convincing evidences of bureaucracy whether in business or government is the existence of complicated procedures designed to avoid mistakes.

Effective planning requires an environment of change, with some reasonable degree of freedom and willingness to assume the risks of mistakes. This cannot happen in an enterprise bound by the strait jacket of inflexible policies and procedures.

C. Capital Investment

In most cases, once money is invested in a fixed asset the ability to switch courses of future action becomes rather limited and the investment itself becomes a planning premise.

Unless an organization can reasonably liquidate its investment or change its course of action or unless it can afford to write off the investment, these conditions may block the way of change.

2. External or Imposed Inflexibilities

These inflexibilities usually emerge from sources outside of the organization. A manager has little or no control over external limitations.

Some of the major external inflexibilities include:

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A. Political Climate

Every enterprise, to a greater or lesser degree is faced with the inflexibilities of the political climate existing at a given time. ***If the local government or the state activity regulates business, managers must take this into account in planning.*** (Formulated Policies)

B. Labor Unions

The existence of strong unions, particularly those organized on a national basis, tends to restrict in planning. ***The numerous wage and working condition provisions of unions' contracts and the influence of union policies on employee productivity and attitudes must be taken into account.***

C. Technological Change

Technology changes rapidly, and one new development can get another.

D. Sociological and Cultural Factors

These include inter-organizational and individual cooperation or conflict. Class structure and labor mobility, view towards authority, responsibility and delegation, view towards change and risk taking, etc. are also some of the inflexibilities that restrict the freedom of planning. ***(Life style, values, belief, religion...)***

E. Educational Variables

Under this factor the important conditions that tend to restrict the scope of planning include, literacy level and attitude towards education, type of education, scope of the education, and educational match with the skill requirements of industry and manpower utilization, etc.

F. Economic Forces

It includes the economic status of people/purchasing power, purchasing and saving habit of societies.

Principles of Planning

A principle is a general rule of truth that may be expected to apply under similar conditions anywhere to reach or get similar outcomes. The most important/essential guiding principles of planning are the following.

A. Principle of contribution to objectives

The purpose of every plan and all its supporting plans is to promote the accomplishment of enterprise objectives.

B. Principle of efficiency of plans

Efficiency of a plan is measured by the amount it contributes to purpose the cost required to formulate and operate it.

C. Principle of planning premises

Planning requires the understanding of planning premise or organizational environment.

D. Principle of strategy and policy framework

The more strategies and policies are clearly understood and implemented in practice, the more consistent and effective will be the frame work of enterprise plans.

E. Principle of the limiting factor

Planning is constrained by some of the limiting factors such as scarcity of raw materials, lack of technology, lack of capital, lack of trained manpower, etc.

F. Principle of flexibility

Plans should be flexible to decrease the danger of losses incurred through unexpected events.

G. Principle of communication

The making of plan by itself is not enough; it should be conveyed to all concerned parties.

H. Principle of feasibility

Plans should not be mere wishes, but something that are attainable or realizable.

Elements of Planning

The planning process deals with setting of organizational end results, strategies, policies, procedures, rules, formulation of budgets, and decision making.

Organizational Vision

It is an aspiration expressed as strategic intent. It is what the organization would ultimately like to become in the long run.

The former vision of UU

“To be the leading private African centers of academic excellence, respected for the range of academic programs that it offers, for the capable and confident graduate it produces and for their contributions to local and global development”

Organizational Mission

Mission is the description of an organizations reason for its existence and its fundamental purpose.

A mission statement defines what an organization is, why it exists (its reason for being). At a minimum, organizational mission statement should define who the customers are, identify the products and services it produce, and describe the geographical location in which it operates.

The former mission of UU

“UU is committed to using innovative approach to ensure the continuous enhancement of human resources and in particular to produce qualified professionals who are well placed to meet global development needs.

Goals

Goals are future states or conditions that contribute to the fulfilment of organizational mission. They are more concrete and specific than mission. They are derived from the organizational mission.

Objectives

They are statements outlining what the organization is trying to achieve. They are short term, specific and measurable targets that must be achieved to accomplish goals. (More specific than goals)

There are two ways/approaches of setting objectives

A. Cascade Approach

It is a method of setting objectives where by objectives flow **from top to bottom levels** of an organizations.

- I. The objective setting processes begin at the top with a clear and concise statement of central purpose of the organization.
- II. Long - range organizational goals are formulated for this statement.
- III. The long-range goals lead to the establishment of more short-range performance objectives for the organization.
- IV. Derivative objectives are then developed for each major division or department.
- V. Objectives are then established for the various sub units in each major division.
- VI. The process continues down through the organizational hierarchy.

B. Management by objectives (MBO)

It is a system of management where by a manager works in conjunction with subordinates to identify goals and the means to achieve them. The superior and subordinate meet to set objectives for the coming plan period.

Factors that need to be taken in to account while setting organizational objectives

1. Objectives need to be SMART

S- Specific

Objectives must be specifically stated. (It shouldn't be vague desire)

M- Measurable

To monitor its progress towards a goal it must be measurable

A- Attainable/Achievable

It shouldn't be night mare/exaggerated

R-Realistic

Objectives must not be over optimistic. I.e. they should be achievable with the existing resources.

T- Time bound

Objectives should be defined in time zones. If they are not stated in time reference it cannot be easily measured and so one cannot know whether you achieved it or not.

2. Objectives need to be flexible

Objectives can be revised, adjusted and updated from time to time when ever needed.

3. Objectives need to be harmonious and coordinated

Objectives developed by the different parts of the organization must be integrated and coordinated as an organization should move towards the same direction.

4. Objectives should include subordinates' participation (MBO)

It motivates subordinates and increases their commitment, loyalty and devotion to the organization.

5. Priority of Objectives

Objectives need to be ranked to allocate resources and meet organizational mission

6. Hierarchy of objectives

Objectives are arranged in hierarchy from overall companywide objectives to individual objectives.

7. Organizational objectives should be stated in writing

Objectives should be clearly written and communicated to all so that all members of the organization are aware of what is expected from them.

Courses of Action

Course of action are the means or specific activities planned to achieve the objectives.

Courses of action includes:

Strategies

Most often strategy denotes/states a general course of action, development of resources and the allocation of resources to attain objectives. **See the following strategies at the business level as an example.**

Michael Porter's Generic Strategies

Segmentation Strategy (Focus)	
Differentiation St.	Cost Leadership St.

Uniqueness competency Low Cost competency

E.g. If increasing productivity is the objective of the organization, the alternative course of action would be: **Cost minimization**, improve technology, employee training, management development, improving work conditions, etc. **Managers should select the least costly but the most effective strategy.**

Policies

Policies are general guidelines to action that constrain or direct objective attainment. They do not tell organizational members exactly/specifically what to do, but they do establish the boundaries within which they must operate and ensure that the decision will be **consistent** with and contribute to an objective. The characteristics of effective/sound policies are flexibility, comprehensiveness, consistency with strategies and objectives, clarity and written.

Advantages of policies

- Policies help to save time.
- Policies help to prevent managerial mistakes.
- Policies help to improve the consistency of managerial performance.

Procedures

A procedure is a series of related steps or tasks expressed in chronological order for a specific purpose. Procedures are defined in step-by-step fashion through which policies are achieved. They are guides to action rather than to thinking and they give the details of the exact manner in which certain activities must be accomplished.

Procedures emphasize details, they outline precisely how a recurring activity must be accomplished. They allow for little flexibility and deviation. E.g. Procedure for a registration. The following are some of the requirements for sound procedures.

- Procedures should be simple enough to be understood by those who implement them.

- They should be in writing
- They should be tested prior to full adoption.
- They should be well communicated so that they may be thoroughly understood by those who are required to follow them.

Advantages of Procedures

1. They can ***save time and other resources.***

As the steps to be taken are clearly defined no need of thinking time and again as similar issues arises.

2. They ***help in training new employees.***

As new employees join organizations they can be trained by referring the procedures.

3. They ***help in handling emergencies.***

An existing employee may be absent from his/her job without prior notice. This may be for many reasons and it may be temporarily or permanently. Under such situations, another employee may be given the assignment and he/she can do his/her duty following the procedure.

Rules

Rules are statements that a specific action must or must not be taken in a given situation. Rules leave little doubt about what is to be done. They permit no flexibility and deviation. Unlike procedures, rules do not have to specify sequence. Procedures and rules are subsets of policies. The difference lies in the range of applicability and the degree of flexibility. The purpose of policies is to guide decision making by marking off areas in which managers can use their discretion. Rules and procedures by their very nature are designed to repress/limit thinking. Therefore, we should use them only when we do not want people in an organization to use their discretion.

Example of rule: Employee must wear safety clothes and equipment while operating their machines.

“No Smoking” or “NO Entry”

While issuing rules the following requirements should be observed:

1. Rules should be necessary. They should not be adopted to cover situations that will never occur. If they are adopted in the absence of a situation to be governed, they will be meaningless. Rather than giving benefits, they will create unnecessary condition.
2. Rules should be expressed in a positive way. If rules are defined in a negative way people, as their nature is, try to act in its opposite direction. However, if we can state the purpose of rules is to protect people or the organization but not to hurt anyone in particular, that will create a conducive environment in an organization.
3. Rules should be written. If they are in writing, organizational members are not necessarily required to memorize them. In addition to this, there will be no misunderstanding and misinterpretation. They can be transferred to new employees easily and without distortion.
4. Rules should be communicated. They should be communicated to those who are both directly and indirectly affected by the implementation of the rules.

Budgeting

Budgeting is the formulation of plans for given future period in numerical or financial terms. A budget is a financial plan outlining how funds will be spent in a given period of time and how these funds will be obtained. Budgets have to be based on past experience, present realities and an accurate assessment of future events.

Implementation of Plans

Implementation involves the assignment and direction of personnel to carry out the plan.

Types of Plans

Plans can be classified on the bases of different factors or dimensions

A. Plans Based on Formality/Status Dimension

1. Informal Plans

Informal plans are unwritten plans which are made in the daily life of individuals

2. Formal Plans

They are written, documented plans developed through an identifiable process.

B. Plans Based on Scope/Breadth Dimension

These types of plans are developed at the different levels of management; i.e. they are related to the hierarchy of plans at the three levels of management.

1. Strategic Plans

Strategic plans are defined as plans that determine the major objectives of an organization and the policies and strategies designed by top-level management to govern the acquisition, use and disposition of resources to achieve organizational objectives.

The following are distinguishing characteristics of strategic plans.

- Strategic plans require looking outside of the organization at the external environment of the organization for threats and opportunities.
- They take longer period of time, comprehensive and relatively general and affect many parts of an organization.
- They tend to be top management responsibility to be issued and implemented.
- They address such issues as:
 - How shall we finance the organization?
 - How the organization should be structured?
 - Which business should the organization enter?

2. Tactical Plans

Tactical plans are the means to achieve strategic plans. They are an intermediate one which helps to reduce the long range plans by increasing the level of specificity. They usually center on translating the broad objectives set by top-level management into more specific goals.

3. Operational Plans

Operational plans are concerned with the day-to-day activities of the organization and are made and/or developed by technical level managers.

C. Plans Based on Time Dimension

These plans show how long they stay in operation.

1. Long- term Plans

These plans establish long-term goals and work out strategies, policies and programs to achieve the goals. They usually extend beyond five years.

2. Medium-term Plans

These plans are usually made to support long-term plans. They cover a period of more than one year, but less than five years.

3. Short -term Plans

Generally such types of plans are made to achieve short-term goal and are instrumental in implementing long-term plans. These plans are action -oriented and the responsibility of lower level managers. Here the length of time may vary from one business to another depending on the nature and size of the organization.

D. Plans Based on Use Dimensions

Use-based plans indicate whether we can use the plans repeatedly for uniformity or for a single period.

1. Single- Use Plans

These types of plans focus on relatively unique situations within the organization and are used only once. These plans can be subdivided into:

Programs

Programs are a complex of goals, policies, strategies, rules, task assignments, procedures/ steps to be taken, resources to be employed and other elements necessary to carry out a given course of action. Program also refers to exceptionally large and long-range projects or group of similar projects.

Example:

- The Ethiopian airlines may have a major program of acquiring a \$ 500 million fleet of jets within a period of two years.
- The Ethiopian Road Authority may develop a program to upgrade the high ways from Addis to the different regional states.

Project

A project is a small and separate portion of a program. Each project has limited scope and distinct directives concerning assignments and time. They are a one-time activity or a unit activity with a well-defined set of desired end results.

2. Standing -Use Plans

These are plans which remain roughly the same for a long period of time and are used in organizational situations that occur repeatedly. (They are plans which are formulated to be used again and again)

The above types of plans can be summarized as follows

Types of plan	Scope	Level of Managem ent	Time	Detailed ness
Strategic	Wide Mediu	TLM	More than 5	Less

plan	m	MLM	years	Medium
Tactical Plan	Narrow	FLM	1 to 5 Years	More
Operational plan			Less than 1 Year	

The process of Planning

The formal approach to the planning process depicted hereunder can serve as a general model which can be applied, with some modification to the planning process of any organization, whether it be large or small, profit-making or not for profit.

1. Identifying and defining the real problem/Being aware of opportunities

It is a process of being aware of opportunities in light of the market, competition, what customers want, organizational strengths and weaknesses. If you are identifying and defining problems correctly, you are half way to the solution.

Problems are identified through warning signals such as: deviation from past performance, deviation from plan, and outside criticisms.

2. Establishing Clear-cut Objectives

Objectives specify the expected results and indicate the end points of what is to be placed and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets and programs. Thus, every organization has to establish its goals or objectives. In the absence of this step, the energies of the people or the non-human resources may be wasted and may be utilized improperly.

3. Establishing the Planning Premises and Constraints

Premises are assumptions about the environment in which the plan is to be carried out (Environmental Analysis).

Constraints are resources needed to implement a plan

4. Identifying Alternative Courses of Action

The planner must usually make examination to discover the most fruitful possibilities.

5. Evaluation of Alternative Courses of Action

Having sought out alternative courses the planner has to evaluate alternative courses of action in terms of cost and benefit.

6. Choosing the Proposed Plan

Selecting the course of action is the point at which the plan is adopted. (The real point of decision making).

7. Arranging Detailed Sequence and Timing for the proposed plan

At this point decision will be made that support the basic plan of chosen action chosen. That is, identification of the derivative plans that support the major plan of action.

8. Numbering plans by Making Budgets

After decisions are made and plans are set, the final step is to give them meaning by numbering plans, i.e. budgeting to establish verifiable targets of achievement to facilitate controls.

9. Implementing the plan into Action

So far, all activities are related to mental and paper works. This practice/activity alone would bring about nothing to the planner. Therefore, they must be tested in action or the plans must be implemented.

10. Monitoring the Implementation

The planner/ manager should monitor/ supervise how the implementation is going on and should be certain that the plan is implemented as it was intended.

11. Evaluating the Implementation

When the planner/manager plans, he/she sets a result to be attained at a specific period of time in the future. Therefore, she/he should compare/check the actual results with the expected results. To facilitate this, proper records and sufficient reports must be collected over a reasonable period of time and must be reported to management members to measure results as well as what remedial or correcting action could be proposed if results indicate weakness when plans are in action.

Decision Making

Decision making is a conscious choice among analyzed alternatives, followed by action to implement the choice.

Decision-making includes the evaluation of available alternatives through critical appraisal methods. Decision making is an integral part of human life, because one has to decide in his daily life what to do, where to do, when to do, how to do, etc. Managers should also make decisions while planning, organizing, staffing, directing and controlling.

The Decision Making Process

1. Ascertain the Need for a Decision

The decision making process begins by determining / identifying a problem. Identify/define the problem to be solved

2. Develop Alternatives

This includes developing a list of alternatives that may be viable in dealing with the stated problem. Creative thinking is necessary to develop or discover many alternative courses of action. If there is no alternative, there is no need of deciding.

3. Establish Decision Criteria for the alternatives

This requires identifying those characteristics that are important in making the decision. (Cost, urgency, benefit)

4. Allocate Weights to Criteria

Since some are obviously more important than others, there is a need to weight each criteria to reflect its importance in the decision.

5. Evaluate Alternatives

Once the alternatives are enumerated, the decision maker must critically evaluate each one. Generally Cost & Benefits Analysis should be conducted.

Peter. F. Drucker has suggested the following criteria to evaluate the available alternative courses of action:

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Risk- Degree of risks in each alternative

Economy of efforts- Cost, time and efforts in each alternative.

Timing or situation -Whether the problem is urgent has to be considered.

Limitations or resources – Physical, financial and human resources available in the organization need consideration.

6. Select the Best Alternative

The decision maker can select the best alternative after careful evaluation. An alternative which gives maximum benefits to the organization is selected.

7. Putting Decision into Action

Next, the manager has to implement the decision to achieve desired goals. Decision making process comes to an end with the actual implementation of the decision.

8. Following up Decisions

It is the duty of every manager to see whether the decision is properly implemented or not. Managers are required to institute a system of follow up to the decision so as to modify them at the appropriate time.

Types of Decisions

1A. Programmed Decisions. They have repetitive and routine solutions, and made at a lower level management. When a particular problem occurs often, managers develop a routine procedure for solving it.

1B. Non-programmed Decisions. They are made for non-repetitive, non-routine, infrequent, special, highly important, dynamic, complex and unstructured problems. They are made at a higher level of management. When a problem contains elements that management has not previously confront.

2A. Proactive Decision. A decision made in anticipation of an external change or other conditions.

2B. Reactive Decision. A decision made in response to external changes.

3A. Intuitive Decision. A decision made based on estimation or guesswork to decide among alternatives.

3B. Systematic Decision. A decision made based on organized, exacting and data driven process for choosing among alternatives.

4A. Formal Decision. A decision made on data and well organized and well documented manner. Usually decisions made in organizations are formal plans. They follow certain prescribed patterns and written rules and procedures.

4B. Informal Decisions. A decision made without proper data support and proper organization. They are not properly documented manner. Usually decisions made in our personal life are informal (in informal plans)

Decision Making Conditions

Decisions can be made under the following three conditions

1. Decisions under certainty conditions

It is the decision making situation in which the decision maker knows exactly what the results of an implemented alternative will be. So, managers have to list the outcomes for

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alternatives and then choose the alternative with the highest pay-off or reward for the organization. Decision making under certainty seldom occurs, however, because external conditions seldom are perfectly predictable and because it is impossible to try to account for all possible influences on any given outcome.

2. Decisions under uncertainty conditions

It is the decision making situation in which the decision maker has no absolute idea about what the results of an implemented alternative will be. In this situation decision makers usually find that sound decisions are often a matter of chance.

3. Decisions under risk condition

It is the decision making situation in which the decision maker has only enough information to estimate how probable the outcome of implemented alternative will be. Thus, the risk condition lies between certainty and uncertainty condition.

Unit 4 **Organizing**

Meaning of Organizing

The word 'Organization' is derived from the word 'organism' which means an organized body with connected interdependent parts sharing common life. **Organization can be compared to a human body.**

The human body consists of hands, feet, eyes, ears, nose, fingers, and mouth, etc. These parts are performing their work independently and at the same time as a whole and one part cannot be substituted by another. The same principles can be identified in the

organization also. The organization consists of different departments. Each department performs its work independently and cannot be substituted by another. However, they cannot survive in isolation of others.

When a group of persons working together to achieve a common goal, the problems such as who decides what issues, who does what work and what action should be taken on the basis of certain conditions may arise. These questions will be solved through the organizing function.

Organizing is the process of grouping activities necessary to attain common objectives and the assignment of each grouping to a manager, who has the authority necessary to supervise the people performing the activities.

Different people try to define differently as presented below. These are some of the definitions given very few of these people.

According to G.R. Terry, "Organizing is the establishing of effective behavioral relationships among persons so that they may work together effectively and gain personal satisfaction in doing selected tasks under given environmental conditions for the purpose of achieving some goal or objectives."

According to **Haney**, "**Organization** is a harmonious adjustment of specialized parts for the accomplishment of some common purpose".

According to **Mooney and Reilly**, "**Organization** is the form of every human association for the attainment of a common purpose".

According to Chaser Bernard, "A system of co-operative activities of two or more persons is called organization". An organization is a systematic arrangement of people to accomplish some specific purpose.

Example: Universities, Corporations, hotels, gas stations, etc.

NB: Organizing is a process of creating a coherent whole (organization), whereas organization is any human association created to achieve some common objectives of members of the group. **In other words**, organizing is the process and organization is a social grouping which is an end.

The process of Organizing

From the above definitions, it is understood that the functions of organization includes determination of activities, grouping of activities, allotment of duties to specified persons, delegation of authority, defining relationships and the co-ordination of various activities. These functions will be discussed as follows.

1. Determination of activities

It includes the deciding and division of various activities required to achieve the objectives of the organization. The entire work is divided into various parts and again each part is subdivided into various sub-parts. For example, the purchase work may be divided into requisition of items, placing of an order, storage and so on.

2. Grouping of activities

The next function of organization is that the identical activities are grouped under one individual or a department. The activities of sales such as canvassing, advertisements debt collection activities are grouped under one department i.e., **Sales Department**. The activities of human resource such as manpower planning, recruiting, selection, placement, training and development, and promotion, etc., are grouped under one department i.e. **Human Resource Department**. And so on.

3. Allotment of duties to specified persons

In order to ensure effective performance, the grouped activities are allotted to specified persons. In other words, **the purchasing activities are assigned to the purchase manager**; the production activities are assigned to production manager; the sales activities are assigned to sales manager, the human resource activities are assigned to human resource manager, and the like. Besides, adequate staff members are appointed under the specified persons. The specified persons are specialized in their respective fields. If there is any need, appropriate training would be provided to such persons.

4. Delegation of authority

Assignment of duties or allotment of duties to specified persons is followed by delegation of authority. It will be very difficult for a person to perform the duties effectively, if there is no authority to do it. While assigning duties to a specified person, responsibilities are fixed. Thus, the specified person who is assigned with the responsibility needs authority equivalent to the amount of responsibility so as to execute his/her duties (responsibilities). Hence, **the production manager may be delegated with the authority to produce the goods and fixed with the responsibility of producing quality goods**. The **human resource manager may be delegated with the authority to employee right and appropriate employees and fixed with the responsibility of hiring qualified employees**. The same will be true in other areas also.

5. Defining relationship

When a group of persons is working together for a common goal, it becomes necessary to define the relationship among them in clear terms.

If it is done, each person will know who is his/her boss, from whom he/she has to receive orders and to whom he/she is answerable. In another sense, each boss should know what authority he has and over which person. In addition to this the differentiated units in an organization are not surviving alone independently. They are living in harmony through integration; therefore, their relationship must be defined.

6. Co-ordination of various activities

The delegated authority and responsibility should be coordinated by the chief managerial staff. The reason is that there must be a separate and responsible person to see whether all the activities are going on to accomplish the objectives of the organization or not. Every manager has the responsibility to coordinate the activities, the resources and the people assigned under him/her to make sure that the objective is achieved as desired. However, the overall coordination is the duties of the top level executive.

Nature of Organizing

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The functions of management are sitting over the strong organizational set up. A palace may be constructed only when a very strong foundation is laid. The same principle is followed here. Organization is the foundation of management. Without organization, the function of management such as planning, organizing, staffing, directing and controlling cannot succeed.

1. Division of Labor

The total work of an organization can be divided into many parts for effective performance of the work. Each part of the work may be completed by one person or a group of persons. But, all the parts of the work are done with the aim to achieve the main objective of the organization. The work is assigned to a person who is specialized in that particular work. Specialization in turn has the following advantages.

- a) It eliminates waste of time, energy and resources.
- b) It increases quality of output, and
- c) It increases quantity of product without any additional capital. It increases productivity.

2. Co-ordination

Though different persons are assigned different works in one organization. But, all the works are performed to achieve the same objective. This implies that there is a need of co-ordination among the workers in an organization.

Each and every department or section of the organization should have relationship with each other to get mutual co-operation. ***This will result in sharing resources and experiences, which will help them to tackle problems and increase productivity.***

3. Objectives Attainment

Organizations define objectives →i.e. organizing states organizational structure clearly →Members can attain objectives. The objectives cannot be achieved without the existence of a good organizational structure. In turn, the organization cannot exist without objectives for a long period. Hence, objectives are the inherent requirements or characteristics of organizations.

4. Authority-Responsibility Structure

An organization means an arrangement of position of executives by adopting rank system. In other words, a subordinate has one boss and a superior has control over the subordinate specifically. The position of each of the executives is defined with regard to the extent of authority delegated and responsibility assigned to him/her to discharge the duties. ***This structure indicates who has authority over whom and the responsibility of each person at different ranks of the structure.***

5. Communication

Every organization has its own communication systems and methods. ***The success of management depends upon the effective system of communication.*** The reason is that each and every person working in an organization should know the techniques of communication and the importance of communication. The channels of communication may be divided into formal, informal, downward, upward or horizontal. It is through communication that organizations achieve mutual co-operation.

Importance of Organizing

1. Facilitate Administration

Administration aims at earning the highest profit by utilizing the available resources properly. There is a planning, policy making, direction and co-ordination in the administration level to achieve the objectives. Besides, ***the administration classifies the activities of the business department-wise and appoints the officers, assistants, supervisors, and executives to facilitate the achievement of objectives.***

There should be an effective administration to achieve the objectives of the business. Duplication of work, wrong planning, inefficient personnel, lack of motivation, improper allocation of duties and responsibilities, absence of coordination, communication gap, and improper instructions are the ingredients of ineffective administration. This ineffective administration can be removed by having a sound organization. Allen observes that 'A properly designed and balanced organization facilitates both management and operation of the enterprise. Inadequate organization may not only discourage but also actually preclude effective administration''

2. Facilitates growth and diversification

The structure of the company depends upon the nature and the size of the organization. The structure of the company can be changed whenever the growth and expansion activities are carried out. ***The growth of business means an increase in the scale of operation and diversification means starting of production of a new type of product/increasing business line.***

3. Increases the efficiency of management

Under good organization, there is a chance of exhausting the worker's ability in full and utilization of resources effectively. Confusion, delay and duplication of work are avoided in good organization. It automatically motivates the employees who are working in an organization and increases the efficiency of management. Under good organization, there is division of work and specialization, which are the tools:

- a) To optimum utilization of workers' ability, resources, materials, and technology, etc. in full;
- b) To placing proportionate importance on the various activities of the enterprise. Money and efforts are spent in proportion to the contribution made by each and every department. More money and time are given to a department that contributes more than others.
- c) To avoid confusion, delay and duplication of work through dividing and regrouping of activities into a manageable whole.

4. Improves the efficiency and quality of work through synergism

It facilitates co-ordination. Through coordination it helps parts to contribute their roles more efficiently and effectively, as every part is a specialist for its duties. No part is working alone. In order to get more results, as the theory of synergism states, "A whole is greater than the sum of the parts" all parts should be coordinated properly.

5. Encourage creativity and initiative

A sound organizational structure will give an opportunity for the staff to show their hidden talents, which will help the enterprise to achieve the business goals and earn higher profits.

Clear distribution of authority and responsibility, incentives offered for specialized work and freedom given to personal work, increases the spirit of constructive and creative approach in management. It gives training to new staff members and refresher to existing employees. The spirit of constructive and creative approach in management will be developed through clear distribution of authority and responsibility, incentive offered for specialization work and the freedom given to personal work.

6. Establishes lines of authority /Vertical Division of Labor

As it is already stated, organization is the arrangement of position of executives by adopting rank system. **This represents who in the organization reports to whom and who has authority over whom.** This creates order within the group. Its absence almost always leads to chaotic situations where everyone tends to tell everyone else what to do.

7. Improves communication

A good organization structure clearly defines channels of communication among the members of the organization. This develops transparency among members and improves flow of information.

A good organization structure also develops morale, honesty, devotion to duty and loyalty to the business firm. This will help remove corruption, secretiveness and unjustified influence.

8. Facilitates training and development of managerial personnel

A sound organization provides training to new staff members before placement and gives refresher training to the existing staff members to improve their efficiency. The training may be given within the company or outside the economy according to the training to the facilities available. Now-a-days training institutes give training to the needy persons with the help of the different experts from various fields. These training institutes are collected data directly from the field in the training.

9. Prevents the growth of secret, influence and corruption

Sound organization develops the morale, honesty, devotion to duty and loyalty of business organizations. Normally, these help remove corruption, secret and influence. Only unsound organization develops secret, influence and corruption.

Types of Organizations

Organizations can be classified on the basis of different criteria Such as:

A. On the basis Ownership

- Private (Sole Proprietorship/sole trader, Partnership (General and Limited)
- Government
- Cooperatives

- Companies (PLC and S.C.)

B. On the basis Objective

- Profit making
- Non-profit making

C. On the basis Activity

- Manufacturing
- Service giving
- Merchandising

D. On the basis of authority and responsibility assigned to the personnel and their relationship with each other

- Formal
- Informal

Formal Organization

The formal organization represents the classification of activities within the enterprise, indicates who reports to whom and explains the vertical journal of communication which connects the chief executive to the ordinary workers. In other words, an organizational structure ***clearly defines the duties, responsibilities, authority and relationships as prescribed by the top management.***

In an organization, each and every person is assigned the duties and given the required amount of authority and responsibility to carry out this job. It creates the co-ordination of activities of every person to achieve the common objectives. It indirectly induces the worker to work most efficiently. The inter-relationship of staff member can be shown in the organization chart and manuals under formal organization.

Characteristics of Formal Organization

- It is properly planned.
- The r/ship is shown on organizational chart

- Communication is based on formal channels of communication
- It is based on delegated authority.
- It is deliberately impersonal.
- The responsibility and accountability at all levels of organization are clearly defined.
- Unity of command is normally maintained.
- It has clear superior-Subordinate r/ship
- Duties/responsibilities and authority each member is well-defined(Clear division of labor)
- It is stable

Advantages of Formal Organization

- ✓ The definite boundaries of each worker are clearly fixed and this avoids conflict among the workers.
- ✓ Overlapping of responsibility is easily avoided.
- ✓ Shifting responsibility is very difficult.
- ✓ A sense of security arises from classification of the task
- ✓ There is no chance for favoritism in evaluation and placement of the employee.
- ✓ It makes the organization less dependent on one man.

Limitations of Formal Organization

- ❖ In certain cases, the formal organization may reduce the spirit of initiative of employees.
- ❖ Sometimes authority is used for the sake of convenience of the employee without considering the need for using the authority.
- ❖ It does not consider the sentiments and values of the employees in the social organization.
- ❖ It may reduce the speed of information communication.

Informal Organization

Informal organization is an organization which establishes the relationship on the basis of the likes and dislikes of officers without considering the rules, regulations and procedures. These types of relationships are not recognized by officers but only felt. The friendship, mutual understanding and confidence are some of the reasons for existing informal organization.

It is a network of personal and social relations not established or required by the formal organization. It arises spontaneously as people associate with one another on the basis of the likes and dislikes of members. It does not consider the rules, regulations and procedures of the organization. The relationship does not appear on an organization chart. Informal organizations are influenced by the number of people in the group, the actual personnel involved what the group is concerned with its changing leadership and the continuing process of change.

The informal organization exists under the formal organization. The informal organization or informal relationships may give a greater job satisfaction and result in maximum production. According to C.J. Bernard, "Informal organization brings cohesiveness to formal organization. It brings to the members of a formal organization a feeling of belongingness, status of self-respect and gregarious satisfaction. Informal organizations are important means of maintaining the personality of the individual against certain effects of formal organization which tend to disintegrate personality."

Characteristics of Informal Organization

- It arises without any external causes, i.e. voluntarily.
- It is a social structure formed to meet personal needs.
- It has no place in the organization chart.
- It acts as an agency of social control.
- It can be found on all levels of organization within the managerial hierarchy.
- Its rules and traditions are not written but are commonly followed.
- It develops from habits, conduct, customs and behavior of social groups.
- It is one of the parts of the total organization.
- There is no structure and definiteness to the informal organization.

Advantages of Informal Organization

- ✓ It fills up the gaps and deficiency of the formal organization.
- ✓ It gives satisfaction to the workers and maintains the stability of work.
- ✓ It is a useful channel of communication.
- ✓ Its presence encourages the executives to plan to work correctly and act accordingly.
- ✓ It also fills up the gaps among the abilities of the managers.

Disadvantages of Informal Organization

- ❖ It has the nature of upsetting the morality of the workers.
- ❖ It indirectly reduces the efforts of management to promote greater productivity.
- ❖ It spreads rumors among the workers regarding the functioning of the organization unnecessarily.
- ❖ It acts according to mob psychology.

Key Elements of Organizing

- ***Departmentalization***
- ***Span of Control***
- ***Delegation of Authority***
- ***Centralization and Decentralization***

1. Departmentalization

According to Koontz & O'Donnell, "Departmentalization is a process of dividing the large monolithic functional organization into small and flexible administrative units".

It involves the grouping of common activities or similar activities of a business under a single person's control for the purpose of facilitating smooth administration at all levels.

Departmentalization is an essential activity in the modern business world. All activities cannot be looked after by a single individual.

Importance of Departmentalization

- A. Departmentalization increases the operating efficiency of the employees.
The reason is that departmentalization facilitates the grouping of activities, which are similar nature.
- B. There is a fixation of responsibilities to various executives of the organization.
It makes executives to be alert and efficient in their duties.
- C. The departmental heads (managers) are given certain powers and are allowed to make their own decisions. Doing so increases the prestige and skills of the departmental heads.
- D. The workings of the various departments are evaluated by the top management and the departments which are not managed properly are identified.
This makes the departmental heads efficient, responsible and accountable.
- E. There is a possibility of the expansion of the organization because of fixing of the responsibilities to the executives and there is function-wise departmentalization
- F. Besides, departmentalization gives other advantages such as facilitating budget preparation, effective control of expenditure, attaining specialization, better co-ordination among the managerial personnel, etc.

Factors Considered in Departmentalization

A. Specification

Departmentalization should yield the advantages of specialization.

Specialization may be functional such as sales, finance, production and personnel.

B. Control

There should be a proper control mechanism under departmentalization and simplification of control process. Departmentalization should facilitate organizational control.

C. Co-ordination

The whole business activities are grouped department wise and it requires co-ordination in order to direct organizational activities in the same direction.

D. Securing Attention

Sometimes, certain functions emerge within a unit that desires a special treatment. Hence, the activity may be entrusted to a separate division or a higher level of organization according to its importance.

E. Recognition of Local Conditions

Local conditions may include such factors as the area dispersion, diversity of customers' needs, types of product and availability of specialized man power

F. Economy

The whole purpose of departmentalization is achieving economic operation in an organization. Cost of departmentalization should not exceed benefits generated from departmentalization.

Bases or Patterns or Types of Departmentalization

There are certain basic methods of dividing the duties and responsibilities within an organization structure.

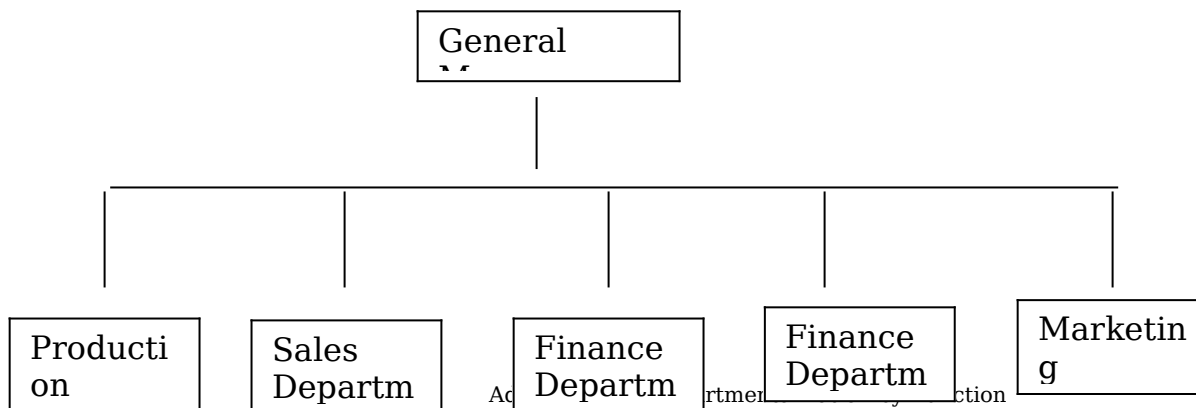
- A. Departmentalization by functions
- B. Departmentalization by products(Goods or services)
- C. Departmentalization by regions (area or location) or territory
- D. Departmentalization by customers
- E. Departmentalization by process
- F. Departmentalization by time
- G. Departmentalization by numbers
- H. Departmentalization by marketing channel

A. Departmentalization by Enterprise Function

Functional departmentalization is **perhaps the most logical and basic form of departmentalization**. It is a form of departmentalization in which everyone engaged in one functional activity, such as marketing or finance, is grouped into one unit. It works best when the organizational environment is stable and tight control over processes and operations is desired.

It is used mainly (but not only) by smaller firms that offer a limited line of products, because:(1) it makes efficient use of specialized resources, (2) it makes supervision easier, (3) it makes it easier to mobilize specialized skills, and bring them to bear where they are most needed.

Each department is headed by one responsible person, who is directly responsible to the General Manager. According to George R. Terry, "the functions or activities are the pivot around which effective executives develop effective and efficient organization".



- It is a logical reflection of functions.
- It maintains power and prestige of major functions.
- It follows the principle of occupational specialization /fosters development of expertise
- It simplifies training.
- It furnishes means of light control at the top.
- It requires little internal coordination.
- It requires fewer interpersonal skills.

Disadvantages of Departmentalization by Function

- Overspecializes and narrows viewpoints of key personnel.
- Reduces coordination between functions.

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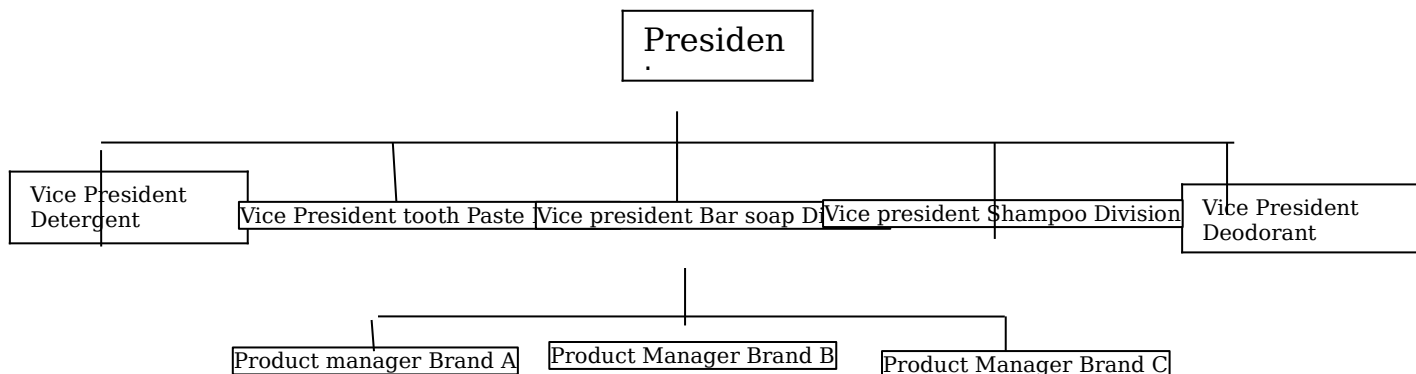
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- Responsibility for profits is at the top only.
- Slows adaptation to changes in environment.
- Limits development of general managers.
- Slows response time in large organization.
- Causes bottlenecks due to sequential task performance.
- Does not encourage innovation; has narrow perspective
- Fosters conflicts over products priorities.
- Does not foster development of general managers.
- Obscures responsibility for the overall task.

B. Departmentalization by Product or Service

This type of departmentalization is made by the large multi-product companies. A single business unit may manufacture and sell different types of products. Then, each department is responsible for a product or related family /product line/ or service. The co-ordination function is performed by the top management.

It is a logical pattern to follow when a product type calls for manufacturing technology and marketing methods that differ greatly from those used in the rest of the organization.



Advantages of Product Departmentalization

- It places attention and effort on product line.
- It facilitates use of specialized capital, facilities, skills and knowledge.
- It permits growth and diversity of products and services.
- It improves coordination of functional activities.
- It places responsibility for profits at the product level.
- It furnishes measurable training round for general managers.
- It flexible strategy could be developed for different products.

Disadvantages of Product Departmentalization

- It is expensive.
- It requires more persons with general managerial abilities.
- It presents increased problem of top management control.
- It there is a danger of duplication of work.
- It creates conflicts between divisional tasks and corporate priorities.

C. Departmentalization by Region or Area or Territory or Geography

The business activities are grouped in area-wise and each area is in charge of a single person. This arrangement follows logical pattern when a plant must be located as close as possible to its sources of raw materials (mining and oil producing companies), its major markets, and its major sources of specialized labor.

Territorial departmentalization is especially attractive to large-scale firms or other enterprises whose activities are physically or geographically dispersed and its customer's

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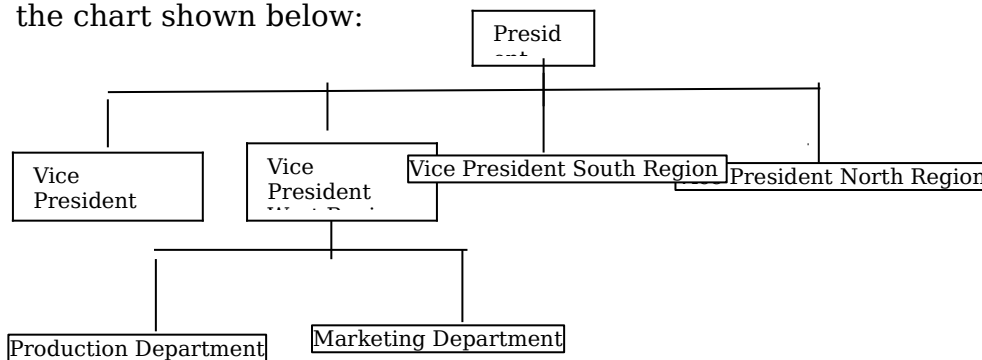
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needs and characteristics vary greatly. It is most often used in sales and in production; it is not used in finance, which is usually concentrated at the headquarters.

Geographical or territorial and product departmentalization can be structured according to the chart shown below:



Advantages of Geographical Departmentalization

- It makes effective span of control possible.
- It reduces the cost of operation and gains saving in time.
- The sales may be increased with the help of intimate knowledge about the tastes and preferences of the customers in the local market, as the local persons are appointed as salesmen in each area.
- Regional managers could win the confidence of customers and remove the competitors from the market.
- Accounts are prepared area-wise. So, the profitability of each area is known to the management.
- It provides opportunities to managers to improve their skill in various fields.
- Control process is very easy to manage.

Disadvantages of Geographical Departmentalization

- It increases the number of personnel and involves high cost of operation.
- The control of head office is becoming less effective.
- It may also involve duplication of work.
- A small business concern cannot manage the high cost of operation.
- Conflicts may arise among Regional offices and between Head Office and regional offices on the use of some resources.

D. Departmentalization by Customers

It occurs when a division sells most or all of its products to a particular class of customers. This type of departmentalization is preferred when the various needs of customers are different in nature. For example a bank may divide its loan section into a number of heads and assign them to various departments such as loan to businessmen, loan to farmers, loan to professionals, and so on. Similarly, the sales department of a business concern could be divided into industrial goods and consumer goods. The consumable goods could again be sub-divided into perishable and non-perishable in nature.

Advantages of Departmentalization by Customers

- It fulfils the expectations and needs of customers.
- It develops specialization among the organizational staff.
- It gives customers a feeling that they have an understanding supplier.
- Customers will get better service and the supplier can boost its sales by understanding customers' needs.

Disadvantages of Departmentalization by Customers

- May be difficult to coordinate operations between competing customer demands.
- Requires managers and staff experts in customers' problems.

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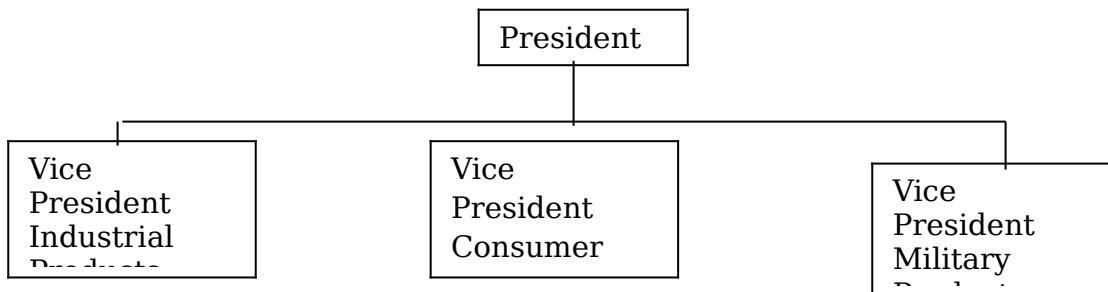
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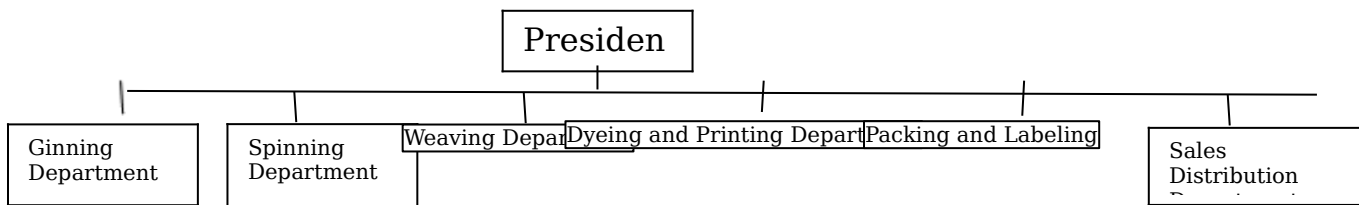
- Customer groups may not always be clearly defined.
- There is a wastage of available resources and facilities
- There may be duplication of activities.

The chart below shows an organizational structure of departmentalization by customers.



E. Departmentalization by Process or Equipment

In this kind of departmentalization, people and materials are brought together in order to carry out a particular operation. This type of departmentalization is followed when the production activities are carried on in many places and/sequences. For example, a textile factory may have many departments such as: ginning, spinning, weaving, dyeing and printing, packing and sales distribution. Textile, sugar, beverage and many other factories also follow this kind of departmentalization.



Advantages of departmentalization by process

- Process or equipment departmentalization has economic advantages. The costlier machines can be used effectively and there is no duplication of activities.
- It uses specialized technology for specialized tasks.
- It utilizes special skills and it simplifies training.
- It helps top managers to have effective performance control.

Disadvantages of Departmentalization by process or Equipment

- Coordination of departments is difficult.
- Responsibility for profit is at the top.
- Is unsuitable for developing general managers.
- More specialists are essential for each process.
- Heavy cost of operation - separate rooms for operation and other facilities should be provided for all the process.

F. Departmentalization by Time

Business activities can group together on the basis of the time of performance. If the work is not completed within the normal working hours, extra time will be given to complete after the normal working hours. Whatever may be the work performed after the normal working hours, a separate department will be in charge of this type of activity.

For example, University extension programs have their coordinator. Hospitals, fire departments, air ports, security, and steel furnaces etc. use same methods.

Advantages of departmentalization by time.

- Services can be rendered beyond the typical 8-hour day.
- It enables activities/ processes not to be interrupted.
- Expensive capital equipment can be used for more hours (more than 8 hours a day).
- It is convenient for employees to work at any shift.

Disadvantages of departmentalization by time

- Supervision may be lacking during the night shift.
- There is the fatigue factor, i.e., it is difficult for most people to switch from day to night shift and vice versa.
- The changing of the shifts may cause problems in coordination and communication.
- The payment of overtime rates can increase the cost of the product or service.

G. Departmentalization by Numbers

It was once an important method in the organization of tribes, clans and armies. The essential fact is not what these people do, where they work or what they work with, but that the success of the undertaking depends only upon the number of people involved in it. Its usefulness has declined with each passing century.

Departmentalization by number is still used in the army where soldiers are grouped into squads, battalions, companies, brigades, and regiments. The principles that govern span of management or span of control or span of supervision are used in this type of departmentalization.

H. Departmentalization by Marketing Channels

This type of departmentalization is adopted on the basis of the channel of distribution chosen by the particular business unit. Normally the channel of distribution is selected by the business unit on the basis of nature of goods and marketability of the product.

2. Span of Management

Span of Management indicates the number of subordinates (people) who report directly to a given manager or the number of people managed efficiently by a single officer in an organization. Span of management may be narrow or wide. **The alternative names for span of management are Span of Control, Span of Supervision, Span of Authority and Span of Responsibility.**

The limit of the number of members for span of control may be increased or decreased according to the levels of management.

Many management experts suggest a different number of executives for effective control. According to L. Urwick, the ideal number of subordinates is **four in case of higher level management** and **eight to twelve in case of bottom level management**. Ideally there are two types of span of control: Narrow Span and Wider Span.

A. Narrow Span of Management

A narrow span of control is where the number of subordinates under a given supervisor are very few.

A narrow span of supervision has the following **characteristics**:

- ✓ The organizational structure is tall, i.e., there is a long distance between top level management and supervisors.

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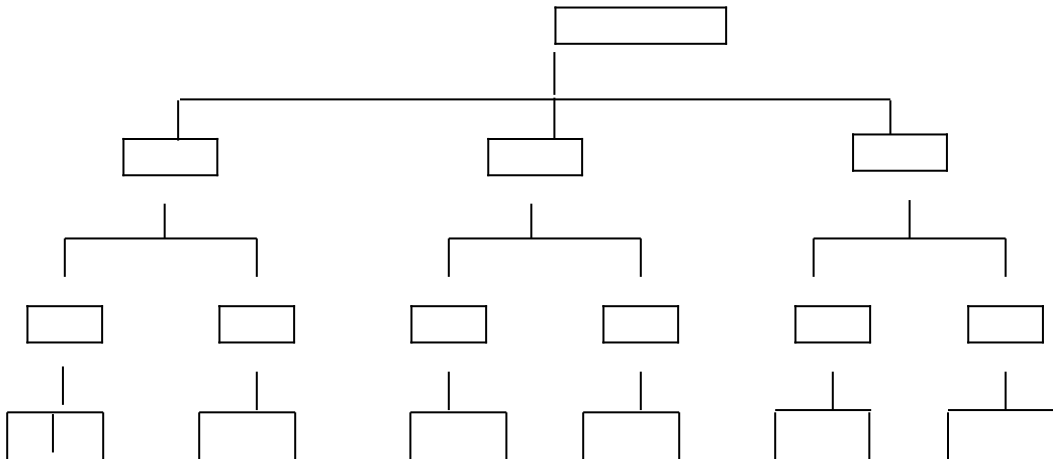
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- ✓ There are many managerial levels between top and lower level management.
- ✓ The number of employees supervised by a manager will be very few.

Organizational structure with a narrow span of control.



Advantages of Narrow Span of Supervision

- Close supervision of employees or work is possible.
- Close control is simple.
- Fast communication between subordinates and superiors is possible.

Disadvantages of Narrow Span of Supervision

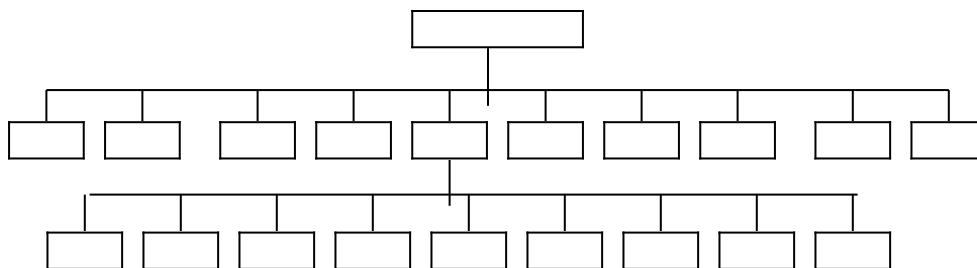
- Superiors tend to get too involved in subordinates' work.
- There are many levels of management, and therefore the cost is high.
- The distance between the lowest level and the top level is long.

B. Wide Span of Management

A Wide Span of control is an arrangement whereby the number of subordinates under a given supervisor are many. A wide span of control has the following **characteristics**:

- ✓ The organizational structure is flat.
- ✓ There are few managerial levels between the top and lower level managers.
- ✓ There are few middle level managers.
- ✓ There is short distance between the top-level management and the supervisors.

Organizational structure with a wide span of control.



Advantages of Wide Span of Supervision

- Superiors are forced to delegate authority.
- Clear policies are required.

- Subordinates are carefully selected.

Disadvantages of Wide Span of Supervision

- There is a tendency of becoming decision bottlenecks on the part of overloaded superiors.
- There is a danger of losing control on the part of superiors.
- A wide span requires exceptionally qualitative managers.

Span of Management should not be too narrow or too wide

If too narrow

- ✓ Managers will be underutilized(High cost)
- ✓ Subordinates will be dependent on their managers because of close and frequent supervision which affects the confidence of subordinates.

If too wide

- ❖ Managers will be harassed(Overutilization/overextended)
- ❖ Subordinates will get little guidance which leads to frustration

Factors Affecting Span of Management

No formula exists for determining the ideal span of control. The following are some of the factors which influence the span of management.

A. Subordinates Training or Quality of Subordinates

The better the training of subordinates, the lesser the importance of superior-subordinate relationships. If the subordinates have enough talent to perform the work assigned to them, the manager or the supervisor can control more number of subordinates. Well-trained subordinates require not only less of their manager's time but also fewer contacts with them.

B. Clarity of Delegation of Authority

As managers delegate their authority, they have to clearly define the delegation. If the authority delegates the powers of decision making, planning and execution to the subordinates, the span of control may be increased. Whenever an executive performs the planning and executive work in addition to supervision work, the particular executive can supervise relatively more number of subordinates.

C. Clarity of Plans

If plans are well defined and workable, if the authority to undertake them has been delegated, and if the subordinate understands what is expected, little of a supervisors time will be required. If policies are clear, consistent with the operation and goals of a department, and if the subordinate understands them, there will certainly be fewer demands on the superior's time and attention. This increases the span of management.

D. Use of Objective Standards

Standards are used in an organization to detect the errors or faults in the performance of work. So, there is no need for executives to spend more time in watching the performance of the subordinates. Then the executive can control more number of subordinates.

E. Rate of Change

The rate of change is an important determinant of the degree to which policies can be formulated and the stability of policies maintained. The higher the rate of change, the grater the number of the decisions to be made and hence, the narrow the span of

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management will be. One manager cannot make many decisions within a short time if it has many subordinates that perform different and many functions.

F. Variety of Tasks

This refers to the number of different types of jobs being managed. The greater the variety of jobs supervised by a manager, the higher time it requires. As the number of subordinates increases the contact required will be more.

G. Proximity

Physical dispersion of jobs being managed affects span of management. If organizational activities are geographically dispersed, subordinates' performance will be out of their supervisor's sight. Besides, as the number of subordinates increases the problem becomes more.

H. Communication Techniques

Methods of communication may be divided into two, i.e. oral and written. Oral communication requires more time and energy and these can be avoided by the written communication. Clear and concise communication increases span of control. Easy style of leaders may create wide span if it is properly handled.

I. Complexity of Jobs

Complexity of jobs refers to the scope and depth of jobs. Job scope is the number of different types of operations performed in the job. Job depth is the freedom of employees to plan and organize their work to work at their own pace and to move around and communicate as desired.

J. Quality of a Manager

A competent and trained manager can effectively supervise more than one subordinate that do not have specialization. Other factors include the amount of personal contact needed or the degree of interaction required, the utilization of technology, non-managerial responsibilities of the manager, and the size of personnel that exist at the different management levels of organization.

K. Relationships required between supervisor and subordinates

The greater the required relationship the narrower the span of control will be as the supervisors do not have enough time to deal with many subordinates.

Power VS Authority

Power is the ability to exert influence in the organization. It is the ability to influence another person's behavior, beliefs, or actions. It is much broader than authority.

According to Henri Fayol, "Authority is the right to give orders and the power to exact obedience."

Koontz and O'Donnell, "Authority is the power to command others to act or not to act in a manner deemed by the possessor of the authority to further enterprises or departmental purposes."

Terry, "Authority is the power to exact others to take actions considered appropriate for the achievement of a predetermined objective."

48

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Authority is the power to make decisions which guides the actions of others. It is the right to commit resources or the legal/legitimate right to give orders (To tell someone to do or not to do something)

The types and sources of Power

A. Legitimate Power (Position)

A power that one receives as a result of his/her position in the organization. All managers have legitimate power over their subordinates.

B. Reward Power (Resource ownership)

The power to give or withhold rewards for others for carrying out activities or meeting performance requirements. Rewards under the managers' control include: Bonuses, salary increase, promotion and recommendation.

C. Coercive Power (Position or resource ownership)

It is the ability to punish others for not meeting requirements, is the negative side of reward.

D. Referent Power (Charismatic or personality characteristics)

It is a power believed to be given to a person by a supernatural force (GOD). It is a quality of someone given to him/her at birth. This power is more abstract when compared to the others.

E. Expert Power (Knowledge)

It is based on the perception or belief that the influencer has some relevant expertise or special knowledge or information that the influence does not.

N.B: Unlike the first three types, referent and expert power cannot be given to managers along with the job title.

Authority Relations in an organization

There are three types of authority. In an organization, different types of authority are created by the relationships between individuals and between departments.

A. Line authority

It defines the relationship between supervisor and subordinate. It is a direct supervisory relationship. It is direct supervisory authority. In a line authority a superior exercises direct control over his subordinates. Line Authority is represented by the standard chain of command that starts with the most superiors and extends down through the various levels in the hierarchy to the point where basic activities of the organization are carried out.

Line departments are headed by line managers, and are the organization. Line managers exercise line authority.

B. Staff authority

It is advisory in nature. It is related with staff departments that offers advisory services. Its source is staff position. The function of people in a pure staff capacity is to give advice, expertise, technical assistance and support to help line managers to work more effectively in accomplishing objectives. Advisory authority does not provide any basis for direct control over the subordinates or activities of other departments with whom they consult.

Staff departments provide assistance to the line departments and to each other. They can be viewed as making money indirectly for the company through advice, services and assistance. As an organization develops, its need for expert, timely, and ongoing advice becomes critical. Example: Legal Advisory Dep't

The larger the (size of) the organization, the greater the need and ability to employ staff personnel (i.e. more practical)

C. Functional authority

It is the right which is delegated to an individual or a department to control specified process, practices, or provinces/department or other matters relating to activities undertaken by persons in other department.

Functional authority is not restricted to managers of a particular type of department. It may be exercised by line or staff department heads, more often the latter two, because they are usually composed of specialists whose knowledge becomes the basis for functional controls. It is related with functional expertise and specialization.

Example: The finance manager can give direct command to the marketing manager of the same level about financial affairs.

The legal advisor can give direct command to others concerning the legal affairs of the organization.

It is authority delegated to an individual or department over specific activities undertaken by personnel in other departments.

Line and staff authorities are confused with line and staff departments. A line department is established to meet the major objectives of the company. It is directly responsible to the attainment of company objectives. A staff department assists in meeting the objectives. It is indirectly responsible towards the attainment of the company objectives.

3. Delegation of Authority

It is the downward pushing of authority from superiors to subordinates to make decisions with in their area of responsibilities.

It is the process of allocating tasks to subordinates, giving them adequate authority to carry out those assignments, and making them obligated to complete the tasks satisfactorily.

Delegation of authority is the act of entrusting formal authority and assigning responsibility to a subordinate for completion of specific. It is impossible for any person to execute all the work in an organization.

Delegation is a concept describing the passing of formal authority to another person. It is the assignment of part of a manager's work to others along with the authority necessary to achieve expected results.

Delegation is a two-sided relationship. (Assigner/Delegator/Manager VS Assignee/Delegates/Subordinate) So, it requires sacrifices from both the assigner and the assignee. The superior must be willing to sacrifice a portion of his authority and the subordinate should be prepared to shoulder additional responsibilities.

Once authority is delegate, it can be enhanced, reduced or withdrawn depending upon the requirement.

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Once duties are assigned and authorities are given to subordinates, the delegator creates an obligation to perform. This obligation is known as responsibility or accountability.

Responsibility is the obligation to perform a certain task.

A superior cannot delegate all his authority; otherwise he passes his position to his subordinates making himself free.

Normally minor and routine types of jobs are assigned to subordinates. The supervisor is not ready to perform even the ordinary/routine jobs but at the same time, there are certain jobs which cannot be entrusted, example; the preparation of budgets, formulation of policies and forming rules and regulations.

The process of Delegation

The following steps will aid more successful delegations of authority:

1. Establishment of definite goals.

The purpose of delegation is to enable efficient accomplishment of organizational objectives. But delegations will be meaningless if the objectives are not properly defined. Subordinates may hesitate to accept the authority, if they do not know exactly what is expected of them.

2. Decide which task can be assigned and the expected results.

The manager maintains complex, dynamic, important, and infrequent activities and delegates others to the lower level managers.

3. Decide who should get the assignment.

The manager should choose the right person from members. Selection must be based on merit or effective performance of their job. Make sure that the person selected is able to handle the tasks properly and able to achieve the desired results.

4. Create an obligation (responsibility)

Assign the task to the right person selected.

5. Delegate the authority

Once you assign tasks to the subordinate, assign formal authority to him so that he can handle the tasks properly. The amount of authority assigned should be equal to the task assigned. The parity principle works here. A and R should commensurate with each other.

6. Establish a feedback system

A manager will remain responsible even after he/she delegate authority. Therefore, it is necessary to establish a suitable control system to keep a careful watch over the performance of subordinates. If the superior finds a deviation from the predetermined procedures, he should take corrective action in time.

7. Reward effective delegation

The subordinate who assumes proper delegation should be rewarded. This will improve his/her morale.

Importance of Delegation of Authority

1. Delegation allows for promptness in action

Delegation drives authority down to the place where action is taken. Besides, decision is distributed to the different managers at different levels. This will lower the work burden of managers and hence they can make decisions as problems arise.

2. It enables managers to perform higher-level work

Managers analyze how they spend their time and delegate the less important, routine, simple and stable activities to the lower level managers and focuses on more important, complex, dynamic and infrequent activities. Hence, the manager gets enough time to pursue high level tasks.

3. It can be training experience for supportive staff

It helps to develop subordinates and satisfy customers by giving them better service. Through delegation of authority, tasks are assigned to the lower level managers and managers practice the managerial functions; planning, decision making, organizing, staffing, directing and controlling. In the process they take actions.

4. It can result in better decisions

Good decision is a decision made on time. Delegation of authority enables managers to take decisions on time on the point where the problem arises. Besides, the load of managers will be decrease. This will enable them to make better decisions.

5. It can improve morale

Delegation of authority allows subordinates to participate in the decision making process, in the implementation and in the evaluation process. This will raise subordinates feeling of belongingness and being needed which leads to a genuine commitment on the part of the subordinates. It also gives a very good opportunity to the subordinate to grow.

6. The expansion and diversification of business activities is possible

Delegation of authority allows the participation of subordinates which increases their specialization. The subordinates are fully trained in decision making in various fields of the business by using the delegation of authority. This type of talents of subordinates can be used by the top management in the expansion and diversification of the business activities.

7. Saving of time and reduction of work load

Delegation of authority enables the superior to allot more time to important matters like planning, organizing, staffing, directing, coordinating, controlling and decision making. It also relieves the supervisor from attending to the routine matters. Normally, the routine matters are allocated to subordinates. It helps the superior to carry out more responsible work alone.

Disadvantages of Delegation

1. Control at the top may be more difficult:

The further decisions are removed from the highest level, the more difficult it is to pen point problem areas and to take effective corrective action.

2. A manager may over time lose touch with what is really happening in the organization

Without proper communication and feedback channel, the subordinate may make decisions and take actions without the knowledge of the superior.

Factors That Determine Delegation of Authority

A. Personal Attitudes of Superiors

1. Receptiveness/Avoidance of Risk.

Decision-making involves some discretion, and a subordinate's decision is not likely to be exactly the one a superior would have made. Therefore, managers who delegate authority must be willing to give other people's ideas a chance and be ready to take the risk, due to the possible mistake that could be committed by the subordinate. Whatever maybe the risk, the superior will have to take the responsibility for it. But only few managers ready to run the risk.

2. Willingness to Let Decision Making Authority Go

A manager who is ready to effectively delegate authority must be willing to release the right to make decisions to subordinates. Some managers' fear that, a subordinate who looks so good might replace him/her and hence they do not delegate.

3. Autocratic Attitude

If the manager has an autocratic attitude, he/she will not be interested to delegate authority and hence delegation will not be effective. ***Some superiors prefer to retain powers in their hands.***

4. Perfectionism/Lack of willingness to Trust Subordinates/ Lack of Confidence on Subordinates.

Many superiors think that they are better than others. This is true to some extent. Superiors have no alternative to trusting their subordinates, for delegation implies a trustful attitude between them. Some people do not like to delegate and argue that it is easier for a manager to do a task than to teach a subordinate how to do it. Superiors also tend to show lack of confidence in subordinates. In the society life cannot be lived without reposing in the ability of others. So each superior is expected to delegate his power to his subordinates. Confidence is developed gradually on the basis of success of the delegation of authority

5. Unwillingness to let others Make Mistakes

If superiors target to be perfect in their job and if they fear subordinates may not be as perfect as them, they avoid delegation. One has to give up the old saying, "If you want something done right, do it yourself."

6. Inability of the supervisor

If the superior is an inefficient person, the work method and procedures designed by him are likely to be faulty. So, the superior wants to keep all the authority with himself.

B. Attitudes of Subordinates

Sometimes, the subordinates are not willing to accept delegation even though the superiors are very much interested in delegation.

1. Love of spoon-feeding

If a subordinate has been given a chance to take a decision, he may not like to decide things himself. Subordinates often find it easy to ask their superiors for an answer than to find it out for themselves.

2. Fear of criticism

Sometimes, a subordinate may fear that even for a silly mistake in a decision, his superior may criticize him. This suppresses the initiatives of the subordinate and proves drastic to his self-confidence.

3. Lack of information or resource

A subordinate may hesitate to accept new work due to lack of information or resources to do the work effectively.

4. Lack of self-confidence/Underestimating oneself

Lack of self confidence in a subordinate is also one of the reasons for not accepting any authority.

5. Too much workload

Subordinates may feel that they will not be able to finish any additional work along with the existing work. Subordinates think that if they accept authority, they may be forced to accept more work in the future.

6. Inadequate incentives

A subordinate may not come forward to accept any authority if there is no personal gain in doing so.

7. Fear of failure

Some subordinates feel that they may fail and so they do not want to accept additional responsibilities.

Pre-requisites for Effective Delegation of Authority

A supervisor can delegate his authority after acquiring knowledge of the following pre-requests of effective delegation:

1. The supervisor must understand the authority and responsibility of their own.
2. The supervisors must decide the portion of his authority that he wants to delegate to subordinates.
3. The supervisor should have through knowledge of the abilities and inabilities of subordinates.
4. The supervisor must ensure that the subordinates have understood the delegated work in the right direction.
5. The supervisor must understand the need, importance and value of delegation.
6. The supervisor should delegate only the routine functions to subordinates.
7. The supervisor should delegate the work which can be performed independently.
8. The supervisor must persuade the subordinate from being tempted to take decision by themselves.
9. The supervisor must release the decision making powers to his subordinates.
10. There should be adequate communication network within the organization.
11. There should be a clear definition of standard of accountability.

12. Delegation must be done in accordance with the overall plan for the completion of the work.
13. The delegation of authority should be confined to the organizational structure.

Guides for Overcoming Weak Delegation

The five practical guidelines of delegation are:

1. Define assignments and delegate authority in the light of results expected.
2. Select the person in the light of the job to be done.
3. Maintain open lines of communication to avoid misunderstanding among organizational members.
4. Establish proper controls because responsibility cannot be abandoned by the superior.
5. Reward effective delegation and successful assumption of authority.

Common Faults in Delegation

The following are some of the common faults of delegation of authority:

1. Close Supervision

The supervisor has to supervise his subordinates even after delegation of authority. The advantages of delegation of authority will be available to the organization if there is no close supervision and if the subordinates are not made to act independently.

2. Lack of Direction

The supervisor fails to provide adequate direction to his subordinates. It places the subordinates in a position in which they do not know what is expected of them.

3. Lack of accountability

The efficient use of delegated work cannot be checked by a supervisor. This is a great handicap to the superior. As a result of this, a sense of irresponsibility infuses the subordinates.

Principles of delegation

1. Delegation has to be based on results expected

The nature of duty has equal rank with the extent of delegation of authority. It should be noted that the objective of the organization are to be accomplished in time. The superior should clearly know what he expects from the subordinate before the delegation authority.

2. Non-delegation of responsibility

A superior can delegate authority but not responsibility. Assigning duties does not mean delegation of responsibility. The superior should be in touch with the subordinates to know whether duties are performed and the authority is exercised properly. The ultimate responsibility for the performance of duties remains with the superior.

3. Authority and responsibility should commensurate with each other.

The parity principle states that authority and responsibility must balance each other. A subordinate can discharge his duties effectively and efficiently if there is proper delegation of authority, otherwise a subordinate cannot succeed in accomplishing the assigned tasks. Authority without responsibility will make the subordinate a careless person. Likewise, responsibility without authority will make the subordinate an inefficient person. So there should be a proper balance between authority and responsibility.

4. Unity of command

This principle states that an employee should get instruction from one and only one supervisor or manager. If a subordinate gets orders, instructions and directions from more than one superior, it will create uncertainty and confusion in the organization. In such a situation, the subordinate will find it very difficult to determine whose instructions, orders or directory he should carry out first.

Therefore, a subordinate should get instruction from only one superior. The key to avoiding problems with unity of command is making sure that employees clearly understand the lines of authority that directly affect them.

5. Definition of limitations of authority

A person knows well that an authority alone can delegate the authority properly. There should be written manuals which help a person to understand the authority in right direction. This will avoid confusion regarding the delegation of authority and enable effective functioning of the concerned person.

6. The scalar principle/chain of command

This principle suggests that there must be a clear line of authority running step by step from the highest to the lowest level of the organization. This clear line of authority will make it easier for organization members to understand to whom they are responsible and to whom authority can be delegated. This principle also makes communication channels clear.

4. Centralization versus Decentralization as Features of Delegation

Centralization and decentralization are important features that become obvious in the process of delegation.

Centralization is defined as the systematic and conscious reservation of authority at central points in the organization.

It is the extent to which power/authority is systematically retained by the top management.

In a centralized set-up, decision-making authority is concentrated in few hands at the top.

If an organization is centralized major decision making power remains at the top and the participation of first level managers in decision making is very low.

Decentralization implies the placing of greater power in the hands of persons away from the center. It means a greater number of important decisions are made at the lower levels and few of these decisions are subject to prior approval of the higher authorities.

Decentralization is the extent to which power/authority is systematically dispersed/delegated throughout the organization to the middle and first level managers.

In a decentralized organization decision making power is pushed down wards and first line managers actively participate in decision making process.

I.e. they are not only called for implementation but also for decision.

The terms centralization and decentralization refer to a philosophy of organization and management that focuses on either the selective concentration/centralization or the dispersal/decentralization of authority with in an organizational structure.

Centralization and decentralization is a relative concept when applied to organizations.

I.e. they are tendencies of delegation of authority

They are not opposites of each other, rather they are tendencies/proportions in delegation of authority. If they were opposites, there could be absolute centralization or absolute decentralization, but there is no absolute centralization or absolute decentralization.

If there could be absolute centralization, no subordinate managers and therefore no structured organization.

If there could be absolute decentralization, managers should delegate all their authority, their status as managers would cease, their position would be eliminated and there would again be on organization.

Factors Determining the Degree of Decentralization of Authority

1. Costliness of the Decision

The more costly the action to be taken the more probable it is that the decision will be made at the upper levels of management.

2. Desire for Uniformity of Policy

Those who value consistency above all invariably go for centralized authority since this is the easiest road to such a goal.

3. Size and Character of the Organization

The larger the organization, the more the decisions that are to be made, the more the places in which they must be made and the more difficult it is to coordinate them. (Size ↑ → Decentralization)

4. History and Culture of the Enterprise

Whether authority will be decentralized frequently depends upon the way the business has been built. **Owner founders** have a tendency toward high centralization of authority. Enterprises that result from **mergers and consolidations** are likely to show, at least at first, a definite tendency to retain decentralized authority, especially if the unit acquired is already operating profitably.

5. Management Philosophy

Sometimes top managers are not interested to delegate to others and they want to safeguard their authority as a source of power. In many cases, top managers may see decentralization as a way of organizational life that takes advantage of the innate desire of people to create, to be free, and to have status.

6. Desire for Independence

Individuals and groups often desire a degree of independence from bosses who are far away. Individuals may become frustrated by delay in getting decisions made by long line communication and by the practice of giving a difficult problem to someone else to solve it even though it is one's own responsibility.

7. Availability of Trained Managers

A real shortage of managers would limit decentralization of authority, since delegation of authority requires qualified managers. Executives who complain that they have no one to whom they can delegate authority are often trying to magnify their own value to the firm or confessing a failure to develop subordinates.

8. Control Techniques

A good manager at any level of the organization cannot delegate authority without having some way of knowing whether it will be used properly. Some managers do not know how to control. They may think that it takes more time to correct a mistake committed by others than to do the job themselves.

9. Decentralized Performance

It refers to the situation where the functions of an enterprise are dispersed over a wider geographic area. Authority tends to be decentralized when performance is decentralized.

10. Business Dynamics/the Pace of Change

If a business is growing fast and facing complex problems of expansion, its managers, particularly those responsible for top policy, may be forced to make a large share of the decisions; but strangely enough, this very dynamic condition may force these managers to delegate authority and take a calculated risk on the costs or error.

In old well-established or slow-moving business, there is a natural tendency to centralize authority, whatever danger too much centralization may carry.

11. Environmental Influences

In addition to the internal factors, there are definite external forces affecting the extent of decentralization. Among the most important of these are governmental controls, national unionism, and tax policies (political, social and economic factors).

Advantages of Decentralization

A brief explanation of the advantages of decentralization of authority is presented as follows:

A. It relieves top managers from the burden of decision-making

Through delegation managers relieve some of their jobs and especially routine jobs to their subordinates and lessen their burden. As their burden lessens they can concentrate more on important activities.

B. It encourages decision making and assumption of authority and responsibility

Delegation of authority gives an opportunity to the subordinates to exercise decision making. In order to make decisions they are expected to assume authority and responsibility.

C. It promotes the use of broad control techniques.

Delegation of authority does not mean delegation of responsibility. Therefore it needs control. But control should not be tight rather it must be broad. If tight control exists, there is no delegation of authority in practice.

D. Performance comparison between departments becomes possible

Departments will be given the authority to determine the tasks to accomplish and the objectives to attain which is in line with the overall organizational objectives. The results achieved by each department is measured and compared.

E. It facilitates setting up of profit centers

Every unit can be determined as a profit center and the costs and benefits will be measured.

F. It facilitates product diversification

Decentralization enables managers to exercise decision making independently. This will encourage subordinates to take the initiative to create new things and innovate the existing one. This will help the organization to diversify its products.

G. It promotes development of general managers

Delegation and decentralization of authority gives subordinates a chance to make decisions, plan, organize, control and coordinate the activities of their subordinates. This will serve as a training ground to these managers to be a future general manager.

H. It aids in adaptation to fast-changing environment

Decentralization of authority improves the ability of subordinates in decision making. The more they are experienced the more they will be ready to accept change and induce change in an organization.

Limitations of Decentralization

A brief explanation of the disadvantages of decentralization of authority is presented as follows:

A. The uniformity of policies will be less

Different departments and units may develop different policies to accomplish their specific goals.

This may lead towards absence of uniformity of policies in an organization.

B. Coordination becomes complex

Task assignment is independent and performance is evaluated independently. Hence, every department is trying to achieve its objectives and if everyone is trying to achieve its objective, there will be conflicts among them. This may create coordination complex.

C. The top management may lose control

Decentralization pushes the decision making authority downwards to the lower level organization.

Lower level managers make decisions without prior approval of top level management.

Finally, top level managers may not know the decision made by the lower level people.

D. It requires qualified managers and subordinates

Decentralization causes participation of subordinates in the decision making process.

Subordinates are expected to make decisions without or less consultation with top level managers.

Therefore, subordinates need to be qualified subordinates.

E. Its cost is high.

Decentralization causes many people to participate in the decision making process.

This requires high training of both managers and subordinates and training has its cost.

F. It doesn't favor economic scale of some operations

Economic scale of operation means achieving objectives with minimum resources.

However, decentralization causes different people to make decisions. This causes the use of resources than required, had it been made by one person following some predetermined standard.

Unit 5

Meaning and Functions of Staffing

Meaning of Staffing

It is filling and keeping filled positions in the organization structure through identifying work-force requirements, inventorying the people available, recruiting, selecting, placing, promoting, appraising, planning the careers, compensating, and training or otherwise developing both candidates and current jobholders to accomplish their tasks effectively and efficiently.

According to Koontz and O'Donnell, "The managerial function of staffing involves managing the organization structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure."

According to Theo Hahnemann, "Staffing function is concerned with the placement, growth and development of all those members of the organization whose function is to get things done through the efforts of other individuals."

Staffing is a process of acquiring, retaining, developing, properly using and terminating the human resource in an organization.

While performing the staffing function, the manager has to see that men are fit for jobs and jobs are not altered for men. The major elements of staffing identified from the above definitions are: effective recruitment and selection, proper classification of personnel and pay fixed for them, proper placement, adequate and appropriate training for development, satisfactory and fair transfer and promotion, sound relationship between management and workers, and adequate provision for retirement.

Functions of Staffing

The staffing function has three basic phases: acquisition, retention, and termination phase of human resources in an organization.

Phases 1. The acquisition phase involves job analysis, human resource planning, skills inventory, recruiting, screening/selecting and placing personnel.

Phase 2. The retaining (utilization) phase involves using employees in an organization for long time through compensation, training and development, promotion, transfer and demotion, performance appraisal

Phase 3. The terminating phase is the opposite of retention i.e. separation of an employee due to several reasons such as breaking rules, failing to perform adequately, or job cutbacks etc.

Job Analysis

It is the process of determining, through observation and study, the pertinent information relating to the nature of a specific job. Jobs are created through the organizing function. The boxes in the structure define positions and jobs. Job analysis aims at fixing the employment standards. Job analysis results in job specification and job description. They are the two results of job analysis.

Job Specification - is a statement of personal qualities, skills, traits or attributes that an individual must possess for successful performance in a particular job.

Job Description – is a systematic and organized written statement of the duties and responsibilities in a specific job.

Job Analysis -Determining pertinent information relating to the nature of a job	
Job Specification -A written statement of the necessary qualification of the job holder ❖ Education, Experience, Training, Mental abilities, Physical effort and skills	Job Description - A written statement of a job and its requirements ❖ Job titles, location, duties to be performed, characteristics of the job

Human Resource Planning/Manpower Planning

Manpower planning/human resource planning/personnel planning is the development of a comprehensive staffing strategy for meeting the future human resource needs of an organization.

It is the process of determining how an organization can get the right number of qualified people into the right job at the right time. Therefore, human resource planning is based on forecasting future manpower requirement both in the short run and the long run. The future manpower requirement for an organization is satisfied from the current employees and new employees that will be attracted through the recruitments process.

It is an attempt to forecast how many and what kind of employees will be required in the future and to what extent this demand is likely to be met.

I.e. how many employees will be retired, laid off, die, discharged, fired, acquired and what kinds of employees (regarding sex and educational back ground) are going to be hold in the future.

Skills Inventory/Inventorying the skills

It contains basic information on all the employees of an organization, giving a comprehensive picture of the individual. It consolidates information about the organization's current human resources (the quality and quantity of its human resources). Listing of abilities, qualifications... of ...

If the planned manpower requirement is less than the inventoried skill, there will be reduction of manpower. But, if the planned manpower requirement is less than the skill inventoried, new employees will be hired. ***Therefore, before trying to recruit, comparing the current manpower with the planned manpower is important.***

Recruiting

Recruiting involves attracting candidates to fill the positions in the organization structure. Recruitment involves seeking and attracting a supply of people from which qualified candidates for job vacancies can be selected. It is the process of finding the apt/apropos candidates and inducing them to apply for the job in an organization. It is the set of activities an organization uses to attract job candidates with the abilities and attitudes needed to help the organization achieves its objectives. Its objective is attracting the best qualified applicants to fill vacancies.

According to Dalton E. McFarland, "The term recruitment applies to the process of attracting potential employees of the company".

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

Sources of Recruitment

Internal Sources

These include personnel already on the payroll of an organization. It is through upgrading, transferring, promoting or sometimes demotion. Potential sources are those personnel who were ones the employees of the company include: those who quit voluntarily, those on leave of absence, and those on production lay-off (but are wishing to return or the company would take to re-hire).

Advantages of recruitment from internal sources

- It increases the morale among the staff members of the organization.
- The training expenses may be reduced to some extent.
- An organization would have a good idea about the strengths and weaknesses of its own employees.
- Employee morale and motivation are positively affected by internal promotion.
- It increases the organization's return on its investment as the result of using the employees' ability to the fullest extent.
- It induces the staff members to work hard to get promotion.
- Such expenses as on advertisement, recruitment, test and interview are avoided.

Disadvantages of Recruitment from Internal Sources

- Individuals tend to rise to their levels of incompetence, in the hierarchy.
- The inbreeding of ideas. Fresh and original ideas and initiatives will not be generated.
- If the promotion is a guarantee to the internal staff members after the expiry of a specific period, the concerned staff member does not care to work efficiently.
- An Under qualified person may be appointed in the higher post.
- Conflicts among members of the organization may arise for promotion.

External Sources

These sources lie outside the organization and there are various external sources of recruitment. They are:

- New entrants to the labor force. These include college graduates and unexperienced potential employees.
- The unemployed with wide range of skills and abilities.
- Retired experienced persons such as mechanics, machinists, welders, etc.
- Others in the labor force (such as married women)

Advantages of Recruitment from External Sources

- Choice. A company can recruit the best person out of a large number of applicants. Each and every candidate's plus points and minus points are taken into consideration for the purpose of recruitment. Then the best candidate can be selected by the company.
- New Outlook. If a new person is recruited by the company, a new way of approach may be drawn to solve the problem, which will give maximum benefits to the company.
- Wide Experience. If the recruited new candidate has experience in various fields, the company can get the benefit of the candidate's experience.

Disadvantages of Recruitment from External Sources

- Hostility of current Employees. If a candidate is recruited from external sources, the existing staff may have a grudge/complaint or hostility against him. It results in demoralization of the staff members.
- Lack of co-operation. The existing staff members do not extend their co-operation to the person who is selected from out of external sources. In addition to this, the existing staff members make the new recruit face the difficulties and try to disorient him in relation to his work.
- Expensive. Recruitment of a person from outside the company requires a lot of formalities. Completing all the formalities involves a lot of expenditure.
- Trade union obstacle. If the trade union of the company is very strong, it is very difficult to convince the trade union and recruit a person from outside a company.
- Danger of non-adjustment. If a newly recruited person fails to adjust himself to the working conditions of the company, it leads to more expenditure in looking for his replacement. Besides, it causes irritation and quarrel between the recruited person and the existing staff members.

Methods of Recruitment

There are three methods of recruitment.

1. Direct Methods

These include sending recruits to educational and professional institutions. The different sources used under this method are:

- Waiting list. The business concern prepares a waiting list of candidates who have already been interviewed. But, they are not appointed for lack of vacancy. Whenever a vacancy arises, the vacancy may be filled up by the company out of the waiting list.
- Unsolicited applicants. They refer to the applications received through mail from the candidate. The application brings the complete information about the applicant. If there is any vacancy at that time, the candidate will be recruited for the specified post.
It is similar with gate applicants. The difference lies on the method of application-unsolicited applicants send their documents through mail whereas; the gate applicants present their documents personally. Normally, this type of application is considered for the posts at the lower level.
- Jobbers and contractors. The casual vacancy may be filled up by the company through the jobbers and contractors. Normally, unskilled candidates are appointed in this way. They are available at short notice and for a small salary. This type of candidate is brought by the jobbers and contractors to the place of work and they receive some wages from the company for this service.
- Field trips. A company may send a group of experts to the towns and the cities where the various kinds of candidates required by the company are available. In this case, a prior advertisement may be issued in newspapers. The advertisement contains information regarding the date, venue and time of the interview. The interview is conducted in different places.

2. Indirect Methods

These include mostly advertising on the media: newspapers, radio, in trade & professional journals, etc. When a company wants to inform the public that it has a vacancy, it puts up an advertisement. The details of the job and the qualification of the candidates are briefly given.

3. Third Party Methods

These include the use of third parties to recruit candidates for the vacant positions. This method includes the use of the following sources.

- **Personnel Consultant.** Private consultant is a separate specified agency doing the function of recruitment of the personnel on behalf of the company. In other words, the functions of personnel department of any company re-performed by the personnel consultants. It receives the applications from the candidates, verifies the applications, conducts interviews and selects the candidates. The personnel consultant receives fees from the company for its service. The same is true with commercial or private employment agencies.
- **Educational institutions.** Universities, colleges and institutions are formed to offer specific courses. The educational institutions make an arrangement for campus interview. The business concerns come to the campus of educational institutions to recruit the students for various posts. The selected students are requested to join the post after completing the course.
- **State agencies.** They are government institutions engaged in employee recruitment and administration activities. In Ethiopia, the civil service uses the Federal Civil Service Commission and The Regional Civil Service Bureaus for recruitment purposes.
- **Recommendations.** Recommendation means appointment of a person on getting a recommendation letter from a person reliable and well-known to the company. In certain cases, an employee of the company may bring the candidates to the company for the purpose of being appointed, when the company does not conduct an interview for selection. Other sources of recommendation may be: Placement office of schools, colleges and professional association, friends, relatives, etc.

Selection

It is choosing from among the candidates the one that best meets the position requirements. Selection is the process of deciding which candidate, out of the pool of applicants developed in recruitment has the abilities, skills and characteristics most closely matching job demands.

The hiring process can be successful, if the following preliminary requirements are satisfied:

- Someone should have the authority to hire. The one who undertakes the selection process should have the authority to select otherwise, the whole process will be a futile exercise.
- There must be some standard of personnel with which a prospective employee may be compared. In other words, there must be properly developed job specification. Among the applicants only those who fulfill the requirements or standards of employment will be selected.
- There must be a sufficient number of applicants from whom the required numbers of employees may be selected. If the number of applicants are fewer than or equal to or a bit greater than the vacant positions we cannot make a successful selection. Therefore, management should develop a good number of applicants.
- **Successful Human resource Planning.** It determines the human resource requirement of the organization for both short run and long run purposes of the organization. Therefore it must be developed properly so as to know the right number and type of employees up on which selections can be made successfully.

Steps or Process of Selection

1. Receiving and screening of applications

Prospective employees are requested to submit the applications in white paper or in a prescribed form. In both the cases, full particulars of the employee should be given. Any omission may disqualify the particular candidate. The information relates to the name of the candidate, age, educational qualification, date of birth, experience, parent's name and occupation, address for communication, etc.

2. Initial interview/Preliminary

The object of conducting this interview is to know whether the applicant is physically and mentally fit for the job. Questions are put to the candidate for evaluation. These questions are related to his/her qualifications: education, experience, skill, salary demanded, reasons for leaving their present jobs, their job interest, their physical appearance, age and facility in speech. Only a minimum time is spent for this interview. Candidates who have passed in the initial interview are called for the next selection procedure.

3. Blank Application

A specific format is followed by an organization for this selection process. The nature of the format varies for each job. The reason is that different qualifications and skills are required for different jobs.

The advantages of a blank application in the selection procedure are explained below:

- Acts as an agent test device.
- Shy and slow candidates get a chance to explain their ideas.
- Aid to build trust among applicants.
- Bases for final interview.
- Aid to preparing waiting list.

4. Test

The test is conducted by the organization for the purpose of knowing more about the applicants to be selected or rejected.

Tests can be classified into two kinds.

1. Proficiency Test- refers to the testing of the skills/abilities possessed by the candidate.

The types of Proficiency Test include:

- **Temperament Test** - is used to measure the likes and dislikes, and habits of the individual.
- **Achievement Test** - is used to measure the level of knowledge for performing the work assigned to an individual. **It is otherwise called performance test or trade test.**
- **Interest Test** - is used to discover the individual's interest in having the work assigned to him/her. It is assumed that an individual who is interested in one type of work does better than the one who is not interested.

2. Aptitude Test- refers to measuring of the skills and abilities which may be developed by the applicant to perform the job in future.

The types of Aptitude Test include:

- **Intelligence Test** – is used to measure the mental ability, capacity and general awareness of the individual. The most common intelligence tests used for management purposes are group tests, individual tests, self-evaluation test, self-administration tests, performance tests, verbal comprehension, word fluency, memory, inductive reasoning, test of reasoning, number facility, speed of perception and the like.
- **Personality Test** – is used to measure courage, initiative, emotion, confidence reaction, ability to mix with others, ability to motivate, general behavior of the individual, cheerfulness, leadership, patience and domination of character.
- **Situational Test** – is used to measure the reactions of applicants to a particular situation. Besides, the applicant's ability to succeed in his job in this situation is also measured.
- **Judgment Test** – is used to measure the ability of an individual in applying to knowledge, intelligence and experience to solve the problems presented before him.
- **Efficiency Test** – is used to know how quickly and efficiently an individual uses his hands to accomplish the work assigned to him. **It is otherwise called dexterity test.**

Advantages of Tests

1. Tests help the employer to find whether a candidate is fit for the job or not.
2. Tests help in checking candidate's claims in respect of his qualification, experience, etc.
3. Standards of job performance can be established with the help of this test.
4. Labor turnover can be reduced.
5. Tests reduce the cost of selection and placement.
6. Tests highlight the hidden talents and overlooking of these can be avoided.
7. Tests may be conducted for transfer and promotion.

Disadvantages of Tests

1. The actual performances of a candidate cannot be found out through the test.
2. Some candidates do not reveal their talents through tests.
3. Test is not able to measure the combination of characteristics required for various jobs.
4. Test is not appropriate if the number of candidates is few.
5. Test is not appropriate for all types of jobs.

5. Checking Reference

Sometimes, the applicants are required to furnish references. References are the norm in society. Applicants may include the name and address of parent educational institutions and the present employer. The information furnished in the applications are checked from these persons.

If the referee is a present employer, the applicant's job performance, salary drawn particulars, reasons for leaving the job, etc., are checked. A letter of recommendation may also be treated as a reference.

6. Interview/Secondary Interview

Interview is considered as a method of personal appraisal through face to face conversation and observation. The management selects a candidate through an interview by one or more

persons. The interviewing persons are experts in the interview technique and they have a thorough knowledge in their respective fields. Interview helps the employer to evaluate the candidate regarding the personality, smartness, intelligence, attitude, etc.

In any interview, the interviewer has a dominant position over the interviewee. The following are the basic interviewing steps:

1. Interviewers must acquaint themselves with the job analysis/ Review of background information.
2. They must analyze the information on application blanks.
3. Preparation of questions.
4. Putting the applicant at ease. You may invite tea, coffee or you may put the interviewee feel relaxed.
5. Interviewers need to ask questions that elicit information that can add to data on the application blank
6. Drawing out the best applicant
7. Concluding Interview

Kinds of Interview

1. ***Direct Interview***: Under this type of interview, straight away questions are put before the applicant to get answers for them. Face to face conversation is the trend towards the interview.
2. ***Indirect Interview***: Questions are not raised directly by the interviewer before the interviewee. The particular applicant is requested to express his views on any topics as he likes. The interviewer carefully listens to what the applicant expresses. The interviewer does not interpret the applicant's views.
3. ***Patterned Interview***: A number of standard questions with their answers are framed before they are to be put before the applicant. The answers for these questions are found while framing the questions and answers are written near the questions. These are used for a verification purpose when answers are given by the applicant during the interview.
4. ***Stress Interview***: Irritating questions are put before the applicant by the interviewer. If any applicant gets angry when these types of questions are put to him, the particular applicant is evaluated as unfit for the job.
5. ***Systematic in-depth Interview***: Under this type of interview, the interviewer asks anyone of the questions, initially. Then, he proceeds step by step to get an integrated view of the skills and personality of the applicants.
6. ***Board or Panel Interview***: A group of persons ask the applicant questions in the area of interest of the applicant. Immediately after the interview, they evaluate the performance of an applicant based on the answers given by the applicant.
7. ***Group Interview / group discussion or house party technique***: A number of applicants are interviewed simultaneously. A common topic is presented before the group. One group consists of six to eight members. Each applicant is allotted a number. They may call other members of the group by calling the concerned member's number. They are restricted to use their names. The applicants are selected or rejected on the basis of performance in group discussion.

7. Final Selection

Finally, a suitable applicant is selected on the basis of performance in the above mentioned test and interview. Only the required number of applicants is selected by the management. The competent authority has to approve the selection of the applicants. In the case of big organization, a separate department known as personnel department is in charge of selection.

8. Medical/Physical Examination

This is carried out for the purpose of assessing physical fitness of the prospective employee. Many organizations do not follow the process of medical examination. The reason is that there is no need for medical examination in certain jobs.

9. Orientation/Familiarizing

Orientation refers to providing the information regarding the organization briefly to new employees. The term information includes co-workers of new employees, superior, subordinates, location of work place, duties, authorities, responsibilities and the overall administration of the organization.

The new employees are taken round the offices and plant and they are introduced to the existing employees. The orientation program helps the new employee to acquire knowledge about the organization functioning without any delay. It facilitates the effective performance of a job by the new employee.

10. Placement

The applicants are placed on a probation basis only after completing all the formalities. The probation period may vary from one job to another job according to the nature of the job. The probation period for any job may be 45 days or three months depending upon the company policy. The new employees are observed keenly over the probation period. These new employees are regularized on the completion of the probation period successfully.

Training and Development

Both increase the efficiency and productivity of employees.

Edwin B. Flippo stated that, "While training is the act of increasing the knowledge and skills of an employee for doing a particular job, the management development includes the process by which managers and executives acquire not only skills and competence in their present job, but also capacities for future managerial tasks of increasing difficulty and scope." ***Training is generally associated with operating employees and development is associated with managerial personnel. See the comparison below:***

Training can be conducted to new employees as part of orientation and it is concerned with immediate improvement.

Training has a beginning and an end but the job of development has no end.

Training requirement may arise from internal and external changes. These changes need employees to be trained in a new ways. Internal changes may include: planned organizational changes & expansion, strategy change and objective and focus change. And external changes may also include: economic change, social change, technological change and government change.

Training concentrates on short term needs of the organization, while development looks after long term goals of the organization.

Development of an employee is an ongoing process which continues well beyond training

Management development refers to the process of education and developing selected personnel so that they acquire the knowledge and skills needed to manage in future positions. It is concerned with developing the attitudes and skills necessary to become or remain an effective manager.

The objectives of management development are to:

- Ensure the long-run success of the organization.
- Furnish competent replacements.
- Create an efficient team that works well together.
- Enable each manager to use his full potential.

This is necessary because of high executive turnover, a shortage of management talents, and society's emphasis on lifelong education and development. To be successful it must be supported by top management and should be designed, conducted and evaluated on the following basis:

Steps to be taken to ensure that job training is effective

1. Prepare the employee for learning the job. Before the training is given the trainer should explain the objectives of the training, the requirements from the trainee to make the training successful.
2. Break down the work into components and identify the key points. The breakdown can be seen as a detailed road map that helps guide the employee through the entire work cycle in a rational, easy-to-understand manner, without injury to the person or damage to the equipment.
3. Demonstrate the proper way to perform the job. An employee must not only be told but also must be shown how to do the job. Each component of the job must be demonstrated. While each is being shown, the key points for that component should be explained.
4. Allow the employee to perform the job. An employee should perform the job under the guidance of the trainer. Generally, an employee should be required to explain what to do at each phase of the job. If the explanation is correct, the employee is then allowed to perform the phase. If it is incorrect, the mistake should be corrected before the employee is allowed to actually perform the phase.
5. Gradually put the employee on his or her own. When trainer is reasonably sure an employee can do the job alone, the employee should be allowed to work at his or her own pace and should be left alone while developing skills in performing the job.

Importance and Need for Training

1. ***Non-availability of trained personnel.*** It is very difficult to find fully trained workers for all categories levels of jobs in an organization. Then the organization selects the persons who are having little training or no training. Adequate training will be given by the employers themselves to the untrained worker.

2. ***Suitability for the job.*** A worker might be assigned on a job for which he is not trained. Then a need arises for giving the same special training to the concerned worker. All types of training are not provided in a vocational school. A supplemental training is also essential to the worker in the basis of the peculiarity of the job.
3. ***Getting knowledge by latest methods.*** The rapid development of science and technology (innovations and inventions) has made it necessary to give training to the workers.

Types of Training

Training methods can be devised according to the mental caliber of personnel in an organization and the importance of the job training.

A. On-The-Job-Training

On-the-job training refers to learning while actually performing a particular work or job. The trainee is shown how to perform the job and allowed to do it under the trainer's supervision. Trainees under training contribute to the organizational production. On the job training can be classified as follows.

1. ***On specific Job:*** A person can learn when he/she is actually put in a job for which he/she is selected.
2. ***Rotation of Position:*** A person is given jobs in various sections of the organization at various levels. It is ***also referred to as job-rotation or cross training:*** Its objective is to broaden the knowledge & background of the trainee. It allows flexibility in the department and no special facilities are required.
3. ***Special Projects and Committee Assignment:*** An existing employee is deputed to special projects. He/she is expected to work under special projects up to the finishing stage. Then he/she learns the jobs under special projects and he gets an opportunity to move with other different types of persons.
4. ***Apprenticeship (Under Study):*** The trainee is put under the supervision of an expert. It is a system in which an employee is given instruction and experience, both on and off the job in all the practical and theoretical aspects of the work required in a skilled occupation, craft or trade. For example, barber, butcher, carpenter, etc.
Titles begin with "Assistant to---" are examples of such type of training. This type of training is used to fill up the places of skilled personnel.
5. ***Coaching:*** The trainee is put under an experienced manager. The experienced manager, then, advises and guides trainees in solving managerial problems. The coach's expertise and experience are of critical importance.

B .Off-The-Job-Training

Under this type of training system, a trainee is removed from his normal working place and spends his full time for training purpose in any other place. During the training period, there is no contribution of trainee to the organization. Normally, this type of training is provided outside the organization and rarely within the organization but not given in the working place. This type of training is classified and briefly discussed as follows.

1. Special course and lectures: The basic concepts and theories, principles and pure applied knowledge of the particular subject are imparted to the participants. This type of training is aimed at giving fundamental information to the trainee.

Classroom Training: It is an effective means of quickly getting information to large groups with limited or no knowledge of the subject being presented.

2. Conference: The trainees are expected to offer their ideas and use their experience for solving the problems with the help of the trainer. Small groups are formed for an intensive discussion of various subjects.

Brainstorming: It is a technique used to generate ideas. Ten to fifteen members are necessary to conduct a brainstorming session. The same level of people is constituted into a group. Each member is asked to give more number of ideas to solve the problem. **Idea generation is the main objective of brainstorming.**

Webster Dictionary defines brainstorming as, "A conference technique by which a group attempts to find a solution for a specific problem by amassing all the ideas spontaneously contributed by its members."

3. Case Study: A case is written, real or hypothetical, in blue print form and circulated among the trainees and decision must be made by trainees. The blue print contains the information like the history of business unit, external environment affecting the concerned business unit, internal separation and financial structure. No case contains the full details of the organization as a reader wishes. Then the trainee takes decisions on the basis of the available information and makes a reasonable assumption on the information not in hand.

4. Role Playing: It is used in a group where different persons are given the role of different managers. They are requested to solve a problem in a situation or arrive at a decision. Discussion among the trainees sparks off spontaneously. At the end of the role playing session, the trainees are given feedback of their role playing.

5. Management games: Management games are used to stimulate the thinking of people to develop their skills to run a company or a department. They are used to develop the skill in the area of investment, production, sales, collective bargaining, etc. The trainer gives the feedback to everyone.

6. Transactional Analysis: It is used to develop interpersonal interactions among individuals. Understanding of personal factors of individuals is the main objective of transactional analysis. Besides, the ego status of individuals is identified.

7. Vestibule Training: Procedures and equipment similar to those used in the actual job are set up in a special working area called vestibule. The trainee is then taught how to perform the job by a skilled person and is able to learn the job at a comfortable pace without the pressures of production schedules.

It is used to train typists, word processor operators, bank tellers, nurses, pilots and bank clerks. **It may be referred as In-basket Technique/ simulation Technique.**

Utilization/Maintenance

Employees are recruited, selected, placed to the position for which they are selected, and the necessary training and development is given. The next activity is utilizing these employees to the benefit of the organization. This includes:

Employee Remuneration

It refers to the cash remuneration and benefits that an employee receives in exchange for the service he/she renders for his/her employer.

Compensation: Wage and Salary (Fixed)

Commissions, bonuses, (Variable- based on performance)

Benefits consist of retirement plans, health insurance, life insurance, vacation, employee stockownership plans, etc.

Performance Appraisal

Performance appraisal is the systematic/formal or informal evaluation of the performance of an employee by an expert, his immediate superior or others. The very purpose of appraising an employee is for the promotion of the employees. However, it can also serve as a means of identifying whether training is necessary or not and who needs and who does not. Performance appraisal can be conducted by the management periodically or it can be conducted whenever needed.

Promotion/Upgrading

Promotion may be defined as the placement of an employee to a better job which results in extending prestige, salary, powers, duties, responsibilities and it requires more knowledge and skills to perform the job. Higher posts and key posts are filled up by the management through the promotion policy. This promotion policy persuades the employees to be loyal to the management.

There are two basic bases of promotion: seniority and competence (merit)

A. Seniority

Seniority refers to the possession of more number of years of service in the same organization than those of the other employees. Seniority is the basis for promotion to a job which does not require much competence. Promotion by seniority is preferred by most employees, because:-

- The system is simple to understand and operate.
- It recognizes the older members need for respect.
- It promotes discipline and morals in the organization for all are assured that promotion will come when it is due.

However, it has the following disadvantages:

- It does not reward meritorious work, extra competence, achievement and initiative.
- It does not encourage an employee to work hard so that he may get an opportunity for advancement in the organization.
- It leads to lowered productivity, for individuals are not required to fulfill any level of competence but simply years of service.

B. Competence/Merit

Competence refers to the accomplishment of a particular job effectively than the other employees. Competence is the basis for promotion to a job which requires professional skills.

The system of promotion by merit yields the following benefits:

- It brings rewards for meritorious work, extra competence, achievement and initiative.

72

72

72

72

72

- It encourages an employee to work hard so that he may get an opportunity for advancement in the organization.
- It leads to increased productivity, for individuals are satisfied that their merit and competence will be properly appreciated and recruited.

However, it has the following disadvantages:

- The system is complex to understand and operate.
- It does not recognize the older members need for respect.
- It does not promote discipline and morale in the organization for all as it is subject to personal biases.

Demotion or Downgrading

Demotion refers to the lowering down of the status, salary and responsibilities of an employee. It is used as punitive measure when there are serious breaches of duty on the part of an employee. Causes of demotion are the following:

1. When departments are combined and jobs are eliminated.
2. Inadequacy on the part of the employees in terms of job performance, attitude and capacity.
3. Because of change in technology, methods and practices.

Transfer

It is a horizontal or lateral movement of an employee from one job, section, department, shift, plant or position to another at the same or another place where salary, status and responsibility are the same. It generally does not involve a promotion, demotion, or a change in job status. ***They are generally carried out to build up a more satisfactory work team and to achieve the following purposes.***

- A. To satisfy organizational needs at times of change – quantity, structure, etc.
- B. To meet an employee's own request when he feels uncomfortable on the job.
- C. To utilize the services of an employee properly.
- D. To increase the versatility of the employee – to have ample opportunities for gaining a usual and broader experience of work.
- E. To help employers work according to their conveniences so far as timings are concerned.

Types of Purposes of Transfer

- A. ***Versatility Transfer***- is carried out to give the worker varied and broader experience. It is also done to bring job enrichment.
- B. ***Plant Transfer***- is carried out to adjust the workforce of one plant to that of another when one is closed down.
- C. ***Replacement Transfer***-is carried out to relieve an employee by replacing him with a new employee.
- D. ***Shift/Personal Transfer***- is carried out to help employees work according to their conveniences. (It is done to meet employees' request)
- E. ***Remedial Transfer***- is carried out to use the employee effectively and make him more productive than before.
- F. ***Flexibility Transfer***- is carried out to satisfy the human resource power needs of an organization.

Separation

Separation refers to cessation / stoppage of service with the organization. It refers to termination of services in an organization. An employee may be separated from the payroll of the company as a result of:

1. **Resignation** – Voluntarily stoppage. This is at the personal request of the employee.
2. **Discharge** – Separation for violation of company rules or for inadequate performance.
3. **Suspension** – An employee is suspended when he/she is suspected to commit certain crime or violate the company rule and regulations. If the case is proved and the employee is found committed the violation he/she will be discharged otherwise he/she will resume his/her position. All the salaries and benefits unpaid during suspension will be paid to the employee.
4. **Retrenchment** – An employee permanently terminates his/her services in an organization for economic reasons in a going concern. When the organization faces financial problems, some of the employees will be separated.
5. **Lay-offs** – An indefinite separation of the employee due to factors beyond the control of the employer such as: surplus skills, production stoppage, to reduce the financial burden of an organization.
6. **Absenteeism** – When an employee is absent for a long period of time, the employee is said to be separated during that time of his/her absence.
7. **Retirement** – Occurs normally when an employee is not performing his or her job because of by old age, injury, or serious sickness.

Unit 6

Directing

Meaning of Directing

Directing is a management function which deals with what managers do to employees or cause them to do certain activities that lead to the achievement of the objectives of the organization. It includes guidance, supervision, communication, leadership, coordinating and motivating employees for an action.

According to Koontz and O'Donnell, "Direction is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively to the attainment of enterprise objectives."

According to Urwick and Breach, "Directing is the guidance, the inspiration, the leadership of those men and women that constitute the real core of the responsibilities of management."

Principles of Direction

1. **Harmony of objectives.** Individuals and organizations have their own objectives. The management should co-ordinate the individual objectives with organizational objectives. Direction should be in such a way that the individuals can integrate their objectives with organizational objectives.
2. **Maximum Individual Contribution.** Every member's contribution is necessary for the organization's development. Hence, the management should adopt a technique of direction which enables maximum contribution by members.

3. Unity of Direction or Command. An employee should receive orders and instructions only from one superior. If not so, there may be indiscipline and confusion among subordinates and disorder will ensure.
4. Efficiency. Subordinates are requested to participate in the decision making process. Then, they would have a sense of commitment. This will ensure implementation of decisions. It will increase the efficiency of subordinates.
5. Direct Supervision. Managers should have direct relationship with their subordinates. Face to face communication and personal touch with subordinates will ensure successful direction.
6. Feedback information. Direction does not end with issuing orders and instructions to the subordinates. It is a continuous process. Sometimes, suggestions given by the subordinates are necessary for the development of the management. So, the development of the feedback system furnishes reliable ideas to the management.
7. Effective Communication. The superior must ensure that plans, policies and responsibilities are fully understood by the subordinates in the right direction.
8. Comprehension. The extent of understanding by subordinates is more important than what and how orders are communicated to them.

Motivation

Meaning of Motivation

Management is the art of getting things done by others. Getting work done is a difficult task. It is related to human behavior. The success of any organization depends upon the behavior and interest of the employees. The organizational goals are achieved through the right direction of human behavior in a desired manner. This needs motivating employees so that they can exert their maximum effort towards attaining objectives.

Motivation comes from the Latin word 'movere', which means to move.

Motivation is the act of inducing, instigating, inciting or promoting someone to a particular course of action to get the results expected of him/her.

Koontz and O'Donnell defined motivation as, "Motivation is a general term applying to the entire class of drives, desires, needs, wishes and similar forces that induce an individual or a group of people to work."

Michael J. Jucious defines motivation as, "Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get the desired action."

Characteristics of Motivation

1. **Motivation is unending process.** As man has a number of wants and all wants cannot be satisfied at one time, motivation becomes a continuous task of managers. Human needs are infinite. Motivation is also an ending process just like the satisfaction of wants is an unending process.

2. **Motivation is a psychological concept.** It deals with the psychology of workers. An efficient worker will not perform the work desirably well unless he is properly motivated. Proper motivation is possible only through proper analysis of the psychology of workers.

Motivation is determined by human needs. In order to motivate, knowing the need of an individual is mandatory. A need that is already satisfied cannot be a motivator.

3. **Motivation is total and not partial.** An individual is motivated fully and not partly because motivation is related to the needs and psychological states of an individual.
4. **Motivation may be financial or non-financial.** Motivation includes increasing wages, allowances, recognition, praise, giving more responsibility and inducing to participate in the decision-making process. The appropriateness of motivation depends on the situations and individual characteristics.
5. **Motivation cannot be applied to a frustrated man.** If a man does not have his basic needs satisfied, he may be frustrated. He may be mentally ill to some extent. Such a frustrated man cannot be motivated unless his basic needs are satisfied.
6. **Motivation may be positive or negative.** Positive motivation means use of incentives. Negative motivation means emphasizing penalties.

Importance of Motivation

Two important things are necessary to perform any job: **ability to work and willingness to work**. Motivation is concerned with willingness to work and provides the following advantages to an organization.

1. **Maximum utilization of factors of production.** Through motivation, an organization can utilize the factors of production to the maximum. (Increase in the efficiency and output)
 2. **Willingness to work.** Motivation influences the willingness of people to work. A man is technically, mentally and physically fit to perform the work but he may not be willing to work.
 3. **Reduced absenteeism.** When people are highly motivated absenteeism would be less.
 4. **Reduced labor turnover.** If employees are motivated positively, there is a tendency on their part to stay in the organization.
 5. **Availability of right personnel.** If there is proper motivation, efficient personnel would be attracted to the organization.
 6. **Building of good labor relations.** If there is positive motivation in the organization, there will be good labor relations.
- Motivation serves as a basis of co-operation. Efficiency and output are increased through co-operation. The co-operation could not be obtained without motivation.
7. **Sense of belongingness.** Motivation develops a sense of belongingness. A proper motivation scheme promotes closer friendly relationship between enterprise and workers.

Theories of Motivation

1. Scientific Management Approach (by Fredrick W. Taylor)

This model assumed that workers were essentially lazy and that managers understood the worker's job better than the worker. Workers could only be motivated by financial reward and had little to contribute beyond their labor.

2. Reward Vs Punishment or Stick Vs Carrot Theory

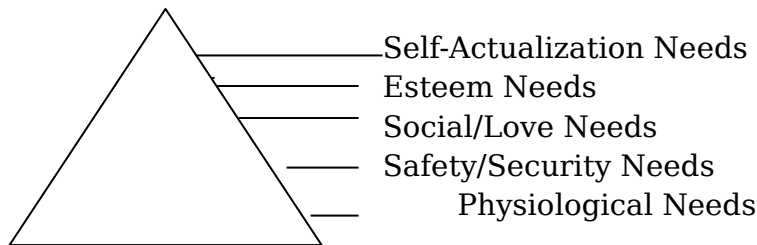
This theory states that if employees perform well reward them if not punish them. The reward/ carrot given for "good" behavior could be in the form of money, bonus, titles, special office arrangements, awards, and more power or company cars. The

punishment/stick administered for “bad” behavior could be in the form of demotion, undesirable transfers, no pay increase or lack of recognition.

3. The Hawthorn Effect - human relations model

Developed by Elton Mayo and other human relations researchers. They concluded that worker’s productivity increases when special attention is given to them; the attention gives them a special status among their peers. Workers attitudes are the key to their motivation, and fair treatment improves their attitude. They believed that managers could motivate employees by acknowledging their social needs and by making them feel useful and important.

4. The Hierarchy of Needs Theory (by Abraham H. Maslow)



- **Physiological Needs**- They are the basic needs- the need to satisfy hunger, thirst, sleepiness, shelter, and sexual desire.
- **Safety Needs** -They are the needs for physical and economic security.
- **Social/Love Needs** - They are the needs for affection and belongingness.
- **Esteem Needs** - They are the needs for self-respect and recognition
- **Self-Actualization needs** - include the drive to become what one is capable of becoming. These include growth, achieving one’s potential, self-fulfillment, etc.

He stipulated that as the first level needs are satisfied the next and higher level needs emerge. He also stated that a satisfied need cannot be a motivator. Once a person satisfies a certain need, that need will not motivate him/her any more.

5. Participative-Management Approach (by Rensis Likert and his associates)

They stated that managers who practice effective human relations let lower-level personnel to participate in making decisions that affect them in achieving better cooperation higher motivation and greater productivity. People who do some kind of work want to be consulted about how to do it.

6. Theory X and Theory Y (by Douglas Mc Gregor)

They are assumptions only. They are based on intuitive deductions.

Theory X Assumption

This assumption is a pessimistic, static and rigid approach. According to this assumption:

hAverage human beings have an inherent dislike of work and will avoid it if they can.

hBecause of their characteristics, most people must be coerced, controlled, directed and threatened with punishment to make them put forth adequate effort toward the achievement of organizational objectives.

hAverage human beings prefer to be directed, wish to avoid responsibility, have relatively little ambition and want security above all.

hMoney can also make people work. A worker has no instinctive liking for work. If he is paid more, he will work more and better for longer periods and with greater interest.

Theory Y Assumption

This assumption is an optimistic, a dynamic and flexible approach. According to this assumption:

hEmphasis on self- direction and the integration of individual needs with organizational demands are necessary.

hThe expenditure of physical effort and mental effort in work is as natural as play or rest.

h People will exercise self-direction and self-control in the service of objectives to which they are committed.

h Financial reward is not the only inspiration.

hUnder proper conditions the average person learns not only to accept but also to seek responsibility.

hThe intellectual potentialities of the average human being are only partially utilized.

7. ERG Theory (by Clayton Alderfer)

It is a modification of the needs hierarchy theory that proposes three categories of needs: existence, relatedness and growth needs.

- **Existence needs**- These are the needs for physical wellbeing. They refer to Maslow's fundamental needs plus such factors as fringe benefits in the work place.
- **Relatedness needs** - refer to the needs for satisfactory interpersonal relations with others.
- **Growth needs** - These focus on the development of human potential and the desire for personal growth and increased competence.

This theory is less rigid than Maslow's need hierarchy, suggesting that individuals may move down as well as up the hierarchy, depending on their ability to satisfy needs.

Thus a worker who cannot fulfill a need for personal growth may revert to a lower-order social need and redirect his or her efforts toward making a lot of money. Frustration-regression principle: - The idea that failure to meet a high-order need may cause a regression to an already satisfied lower-order need.

8. Need-based Motivation Theory (by David Mc Clelland and John.W. Atkinson)

They suggested that human beings have three basic motivational needs: power, affiliation and achievement.

Power need is expressed in a strong desire to change or alter the course of events. People who are motivated by power need are often effective speakers, may be argumentative, like communicating and want to exercise highly.

The affiliation need is the need for close interpersonal relationships, belongingness or love.

The achievement need is a twin desire to succeed and not fail. People who have strong achievement need seek challenge, set big goals, work hard and long hours, want to win for the sake of winning.

9. Two-Factor-Motivation Theory (by Developed by Frederick Herzberg and his associates)

The two-factor approach to work motivation states that there are hygienic (Maintenance) and intrinsic (motivator) factors in any organization that may or may not motivate an individual.

A. Hygienic or Maintenance Factors/

Also known as Dissatisfiers /Maintenance/Extrinsic

They do not in themselves inspire or motivate a person to put forth maximum effort on a job. If they exist in a work environment in high quality and quantity, they yield no dissatisfaction. But their lack of existence would, however, result in dissatisfaction.

They are job factors which are necessary before an individual can be motivated.

Examples:-Working Conditions (safe, clean/hygienic)

- Company policies and administrative practices (fair and clear company policies (not rigid))
- An acceptable salary and benefits (competitive and reasonable),
- Supervision procedures
- Job security/secured jobs
- Status-familiar and retained employee status
- Acceptable interpersonal relationships with one's supervisor, peers and subordinates
 - The opposite of satisfaction is not dissatisfaction, but rather, no satisfaction
 - The opposite of dissatisfaction is no dissatisfaction

B. Motivator or Intrinsic Factors

Also known as Satisfiers

They are job content factors which are necessary for motivation.

Examples:- - Achievement (employees' sense of achievement)

- Recognition (praise and recognition achievement)
- Growth (growth and advancement opportunities)
- Responsibility (giving responsibility/freedom)
- Job Challenge (interesting / meaningful jobs)

Their existence motivates an individual and their absence does not de-motivate an individual.

N. B: Hertzberg theorized that hygiene factors must be present in the job before motivators can be used to stimulate the workers.

Hygiene Factors

Presence No Satisfaction (but unmotivated)

Absence Dissatisfaction (and demotivated)

Motivators

Presence Satisfaction (and motivation)

Absence No Satisfaction

10. Preference-Expectancy Theory (by Victor Vroom)

This theory suggests that motivation relates to two factors: preference and expectancy.

For example, if a student wants to get an “A” grade in his Introduction to Management course (preference), he/she then evaluates what actions to take and how the instructor will regard the actions (expectancy).

In other words, preference is what a person wishes to happen. Expectancy is what a person believes will probably happen if certain behavior patterns are pursued.

11. Reinforcement Theories (by B.F. Skinner and others)

In this view, people behave the way they do because they have learned through experience that certain behaviors are associated with pleasant outcomes and others with unpleasant outcomes.

Skinner in his “Motivation through Positive Reinforcement” states that all behavior is a result of a stimulus. Behavior is best modified by deciding what behavior pattern is desired and then selecting and using the stimulus that produces the desired behavior.

Positive reinforcement includes a key to the executive wash room, a large office, a ten-year service pin, a reserved parking space and carpeting the floor of the office in which one works are ways of recognition and thereby status can be conferred.

Guidelines to Effective Motivation

Richard M. Steers and Lyman W. Porter suggest the following guidelines for effective motivation.

- A. Managers must actively and intentionally motivate their subordinates.
- B. Managers should understand their own strengths and limitations before attempting to modify those of others.
- C. Managers must recognize that employees have different motives and abilities.
- D. Rewards should be related to performance, not seniority or other non-merit based considerations.
- E. Jobs should be designed to offer challenge and variety; subordinates must clearly understand what is expected of them.
- F. Management should foster an organizational culture oriented to performance.
- G. Managers should stay close to employees and remedy problems as they arise.
- H. The active cooperation of employees should be sought in improving the organization’s output; employees are, after all also stakeholders in the organization.

Basic Factors that Motivate

The following factors are considered as motivators

1. ***Challenging Work***. To motivate personnel to perform at their best, managers should try to make work as challenging as possible, however it should be possible, keeping in mind that what is challenging to one person may not excite another.

Job Enrichment. This factor which is also known as ***job reform*** is the process of designing jobs to make them more interesting, challenging and meaningful. It includes efforts that are planned to make jobs more satisfying such as: giving workers greater freedom in choosing work methods; and letting them plan their work.

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2. Participation in Planning. The higher in an organization one goes, the more participation in planning becomes a strong motivational force. Even at lower levels participation is important. If an individual is allowed to participate in developing the plan and setting goals to be achieved, he feels important and valuable to the organization. This motivates him in his job.

3. Recognition and Status. The desire for recognition and the improved status it brings appears universal regardless of position, age, education and other factors. All of us seem to want approval from our peers as well as from our superiors. Therefore, supervisors should give recognition for a specialized effort offered by subordinates.

4. More Responsibility and Power. More responsibility and power satisfies the need for security. The need for security that is the desire to be free from fear of such things as job loss, demotion and loss of income apparently are inherent in all of us. Too little or too much security can be harmful, however.

5. Independence of Action. The desire to be one's own boss appears to give more self-reliance than others. Hence, supervisors should give their subordinates freedom to make certain decisions by themselves without referring to their superiors now and then.

6. Opportunity for Personal Growth. Growth in skill, professional capability and experience are very important in people's lives. A strong motivational device is to promise and then deliver an opportunity to an individual to grow more skillful as a result of work experience and education.

7. Good Working Conditions. Working conditions, which include both physical and psychological factors surrounding a job, vary importance as a motivator.

Finally, the result of motivation is high morale. High morale is a confident, resolute, often self-sacrificing attitude of a group that has strong faith in its leadership and believes organizational goals can be achieved. Low morale is just the opposite. It is characterized by depression, lack of confidence and negative attitude toward the achievement of goals.

Leadership

Meaning of Leadership

Leadership is the art of inspiring subordinates to perform their duties willingly, competently and enthusiastically. Leaders are examples or symbols to their subordinates. Therefore, they are expected to lead subordinates by their talent and skill.

According to Koontz and O'Donnell, "Leadership is generally defined as influence, the art or process of influencing people so that they will strive willingly towards the achievement of group goals."

According to the Encyclopedia of Social Sciences, "Leadership refers to the relation between an individual and a group around some common interest and behaving in a manner directed or determined by him (the leader)."

Peter F. Drucker said that, "Leadership is the lifting of man's visions to higher rights, the raising of man's performance to higher standards the building of man's personality beyond its normal limitations."

Leaders can be chosen or appointed. Managers are appointed leaders. Managers should have an ability to lead which is not of course written on the job description but simply an implied one. Leaders are more likely to arise during crises such as war, or depression than when conditions are stable. When people feel threatened they are eager to follow someone who appears able to protect them and return conditions to normal.

Need or Importance of Leadership

1. Perfect Organization Structure. An organization structure cannot provide for all kinds of relationships. But the organization structure is complete or perfect with the help of effective leadership and the existence of informal organization is to facilitate this relationship.
2. Directing Group Activities. The main responsibility of a leader is to get the work done effectively.
A leader can consolidate the efforts and direct them towards the goal.
3. Adaptation of technological, economic and social changes. There is a frequent change in technology, economic and social structure in the present computer world. So, the organization should change its operation and style. This is possible only with the help of effective leadership.
4. Better Utilization of Manpower. The leader implements the plans, policies, and programs to utilize the available manpower effectively and get highest production with minimum human cost.
5. Reconciliation of goals. An organization has its own goals. The employees of the organization have their own goals. Employees are working mainly for achieving their goals instead of achieving organizational goals. An effective leadership can reconcile the goals of organizations and employees.
6. Promoting the spirit of co-ordination. A dynamic leader can co-ordinate the activities of the subordinate. In an organization, workers are working in groups, so there is a need for co-ordination among the group members. A leader promotes the spirit of co-ordination among employees.
7. Developing good human relations. Human relations represent the relations between the leader and the followers (subordinates). An efficient leader can develop the skill of the followers and promote self-confidence apart from motivation. Next, the leader creates opportunity to show their abilities and induces the followers to work towards the accomplishment of goals. In this way, the leader promotes the co-operative attitude of workers and maintains better relations with them.
8. Fulfilling social responsibilities. Social responsibilities refer to the high standard of living to workers, higher productivity and income to the organization, more revenue to the government, reasonable price to consumers and fair return on investment to the investors. These could be achieved with the help of effective leadership. Only efficient leader can get work done to fulfill social responsibilities.

Approaches or theories of Leadership

1. The Trait Approach or theory of Leadership

The leader is endowed with natural psychological traits that give him/her advantages over most mortals. Leaders in general as a group have been found to be brighter, more *extrovert* and more self-confident than non-leaders; they also tend to be taller. This theory is connected to the notion that leaders are born and not made. However, this approach is contested by a number of weaknesses, even though; it was mostly accepted during 1930s and 1950s.

2. The Behavioral Approach or theory of Leadership

Unlike traits, behaviors can be learned and so it follows that individuals trained in appropriate leadership behavior would be able to lead more effectively. Thus, rather than trying to figure out what effective leaders were, researchers tried to determine what effective leaders did, how they delegate tasks, how they communicated with and tried to motivate their subordinates, how they carried out their tasks and so on.

Managerial grid theory – describes a manager's leadership style along two dimensions: concern for production and concern for people.

The Managerial/Leadership Grid, developed by Robert Blake and Jane Mouton to help measure a manager's relative concern for people and tasks is depicted below.

In the diagram the relative concern of leaders for people and task is depicted in a two dimensional matrix grid. The vertical line represents concern for people whereas the horizontal line represents concern for production.

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	6									
	5				5.5					
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	3									
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	1	1.1							9.1	
		1	2	3	4	5	6	7	8	9

Concern for Production

Style 1.1 represents an impoverished management: low concern for people and low concern for tasks or production. This style is sometimes called *laissez-faire management*, because the leader abdicates his or her leadership role. Exertion of minimum effort to get required work done is appropriate to sustain organizational membership.

Style 1.9 represents a country club management: high concern for employees but low concern for production. Thoughtful attention to needs of people for satisfying relationships leads to a comfortable friendly organization atmosphere and work tempo.

Style 9.1 represents task oriented or authoritarian management: It shows high concern for production and efficiency but low concern for employees. Efficiency in operations results from arranging conditions of work in such a way that human elements interfere to a minimum degree.

Style 5.5 represents a middle-of-the-road management: Here an intermediate amount of concern for both production and employee satisfaction exists. Adequate organization performance is possible through balancing the necessity to get out work with maintaining morale of people at a satisfactory level.

Style 9.9 represents team or democratic management: It indicates a high concern for both production and employee morale and satisfaction. Work accomplishment is from committed people; interdependence through a 'common stake' in organization purpose leads to relationships of trust and respect.

3. Open System Leadership Theory

According to this theory, leadership can be thought of as a process by which the policies, people, and other resources of an organization can be integrated into a cohesive and effective effort to accomplish goal under the control of a management team that works within a planned framework established by the chief executive.

4. Contingency or Situational Approach to Leadership

This theory assumes that no single leadership style is effective in all situations; situational factors influence the effectiveness of leader behavior. Contingency approach is the view that the management technique that best contributes to the attainment of organizational goals might vary in different types of situations or circumstances. Some of the situational factors that affect the effectiveness of leadership are:

- The leader's personality, past experience and future expectations. Naturally a manager's values, background, experiences and expectations affect his or her style of leadership.
- The expectations and behavior of superiors.
- Subordinate's characteristics, expectations and behaviors.
- Task requirements. Jobs that require precise instructions demand a more task-oriented style than do jobs whose operating procedures can be left largely to the individual employees.
- Organizational culture and policies. The culture and policies of an organization shape the leader's behavior and the expectations of subordinates.
- Peers' expectations and behavior. The opinions and attitudes of a manager's peers can often affect how effectively the manager performs; hostile colleagues may harm the manager's reputation by competing for resources and behaving uncooperatively.

Personal Characteristics of an Ideal Leader

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Leadership is an intangible art. The success /effectiveness of leaders can best be judged by the behavior of their subordinates not by what they profess. When subordinates perform well, cooperate effectively and put forth extra effort to achieve group goals, the manager is described as a good leader. When people perform badly, fail to cooperate and do a minimal amount of work the manager is described as a weak or ineffective leader.

The following are some of the personal characteristics of an ideal leader.

- A. **Ability to inspire others.** A leader's charisma is his/her personal qualities of being attractive, extra-special and usually interesting. These qualities enable the leader to be accepted by his/her followers.
- B. **Ability to understand human behavior.** To gain the respect and cooperation of people, it is necessary to understand them and give them the due respect.
- C. **Similarity to the group.** Occasionally, there is a need on the part of managers to look like the group when some kinds of social gathering go on.
- D. **Verbal assertiveness.** An ideal leader is assertive; he/she has the ability to speak up and make people understand him/her.
- E. **Willingness to communicate honestly.** In life, honesty is the best policy. This means, an ideal leader tells the truth; straight forwardness, fairness in conduct and speech, openness and transparency are good and essential qualities.
- F. **Ability to set up example to be followed.** An ideal is diligent. He/she does not behave in a manner that goes against the ethical and cultural standards of the people with whom he/she works.
- G. **Willingness to take risks.** An ideal leader is daring enough to take risks in the right proportion. It is this readiness to take risks that makes organizational life more exciting.
- H. **Willingness to assume responsibility.** An ideal leader does not shun responsibility. He/she knows and takes responsibility that a position entails.
- I. **Willingness to be supportive of personnel.** Occasionally situations force the leader to assume a paternalistic attitude towards personnel that are desperately in problems that they could not overcome without the help of the organization.
- J. **Skill in the art of compromise.** Compromising is one of the techniques of resolving conflicts. An ideal leader needs to master this art.
- K. **Ability to tolerate criticism.** Criticisms are either constructive or destructive. As a leader, a manager has to be able to differentiate the two, accept the constructive, and refute the destructive ones convincingly.

Leadership Styles

Rensis Likert has developed a system for classifying leaders in to four based on their leadership style. They are:

1. Exploitative - Authoritative Leadership Style

They are autocratic.

They do not seek the opinions of subordinates.

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They make all major decisions independently.

They motivate through fear and punishment.

2. Benevolent - Authoritative Leadership Style

They have a “big-daddy” approach to leadership.

They sometimes seek advice from subordinates, but make key decisions themselves.

They use both fear and rewards to motivate.

They say to subordinates, “I will treat you all right and see that your needs are met if you play along with the system.”

3. Consultative Leadership Style

They have considerable confidence in their subordinates.

They delegate extensively.

They encourage subordinates to make recommendations.

They rely on rewards more than punishment to motivate.

4. Democratic or Participative - Group leadership style

They intentionally seek to involve members of the group in decision making process.

They liberally delegate authority and use rewards, not punishment to motivate.

This leadership style is more effective in achieving group goals than any other style.

5. Laissez-faire style.

These leaders do not have a leadership ability and confidence.

They do not set goals to the group rather the group sets its own goal.

Communication

Meaning of Communication

Communication is the art of disseminating information with the objective of bringing some impact on the receiver in a form of behavioral change, reaction, or feedback.

Communication is the process by which information is exchanged and understood by two or more people, usually with the intent to motivate or influence behavior. **Communication is to “share” - not “to speak” or “to write”.**

According to Koontz and O'Donnell, “Communication is an intercourse by words, letters, symbols or messages and is a way that one organization member shares meaning and understanding with another.”

Communication permeates every management functions. For example, when managers perform the planning function, they gather information; write letters, memos, and reports; and then meet with other managers to explain the plan. When managers lead, they communicate with subordinates to motivate them. When managers organize, they gather information about the state of the organization and communicate a new structure to others. Communication skills are a fundamental part of every managerial activity. Hence, the manager is the information Nerve Center of an organization.

Importance of Communication

The implementation of policies and programs of management is possible only through effective communication. We can understand the importance of communication from the following:

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1. An aid to managerial performance. A manager can take appropriate decisions with the help of communication. The problems may be solved without much difficulty by the manager. The manager can get things done by subordinates through communication.

2. Achieving Co-ordination. A large-scale business organization employs a large number of workers. They are working on the basis of division of work and specialization. There is a need for co-ordination among such workers to attain organization goals. The co-ordination is obtained through communication.

3. Helps in Smooth working. Communication helps the workers to know the real situation prevailing in an organization. Subsequently, workers perform their duties without any delay, which leads to the smooth functioning of an organization.

4. Increase managerial efficiency. Out of the total time available to the manager, the manager spends majority of his time in transmitting the information to others regarding the business targets, rules, programs, policies, etc. Communication helps the manager discharge his duties systematically and facilitates him to increase his efficiency.

5. Helps in decision- making. Good communication system provides all the necessary information, which enables the manager to take quality decisions in the proper time. Again, these decisions are communicated to those who are in need of them.

6. Maintaining industrial peace. The main reason industrial unrest is lack of communication or improper communication. This creates a strained relationship between the management and the workers. Communication helps both management and workers to understand each other and facilitates industrial peace.

7. Aid to leadership. Management uses the communication as transmitter to forward its ideas, feelings, suggestions and decisions to the employees. In the same way, the employees express their responses, attitudes and problems through communication to the management. Under this two way communication, the management can assume itself as a leader of its employees.

8. Aid to job Satisfaction. If the employee knows what would be done and for what purpose, they can perform in a better way and efficiently. Employees know the expectations of the management. If their performance is not up to the standard, they can improve it. Employees may wish to know how their performance is correlated with the achievement of objectives. These are possible through effective communication. If effective communication exists, employees can get job satisfaction.

9. Saving in time. Effective communication results in the saving of time. A manager can communicate easily to all his subordinates by sitting in his room. There is no need for the manager to meet all the subordinates personally. In turn, the manager can get all the information from his subordinates. This results in the savings of time and effort for both of them.

10. Aid to public relation. The term public includes customers, potential customers, shareholders, members of the public, state government, central government and the like. The management can create good image among the public through effective communication. In this way, the management can maintain better public relations.

Elements in the Communication Process

A Communication which is transmitted from one person to another in any organization has the following elements:

A. The Message Sender: This is the person who sends the message.

B. The Message: It is the tangible formulation of an idea to be sent to a receiver.

C. The Encoder: Encode means to select symbols with which to compose a message. Encoder is the person who feeds the message in the message vehicle.

D. The Message Vehicle or Channel: This is the means by which the message is transmitted. It is the carrier of a communication. The vehicles may be:

- Face-to-face: This includes one-to-one contact personally in discussion or several people in discussion, committee meetings, etc.
- Written Statements: This may include memos, status reports, recommendations, tax reports, letters, etc.
- Advertisement: This may include radio, television, newspaper, magazine, billboard direct mail etc.
- Telephone telegraph, e-mail, and fax.

Factors determining the choice of message vehicles are:

- **Urgency:** If the message is urgent telephone call or personal visit, not a letter.
- **Importance:** If the information is important fax instead of a telephone is preferred as it helps to have a record.
- **Delicacy of the message:** If the message is sensitive, face-to-face conversation than sending memo or a letter is preferred.
- **Cost Considerations:** If the objective is to address the message in a cost effective way and when the message is intended for a large number of people, a news item or an advertisement instead of telephone calls, telegrams or personal letters is better.
- **Future reference to information:** If the message may need to be referred to later: a written vehicle (letter, memo, report, and so on) or a tape recording is better.

E. The Decoder: This is the person who interprets the message from the message-vehicle.

F. The Message Recover: This is any one the message sender wants to influence or inform.

G. The Message Feedback: It is the reversal of the communication process that occurs when the receiver expresses his or her reaction to the sender's message.

Characteristics of Effective Communication

1. Complete Communication: There are two persons/parties necessary complete communication i.e., a sender and the receiver. Besides, the receiver should understand the message and send back feedback to the message sender. For example, if a person shouts in a locked room without anybody present, at the top of his voice, he will communicate nothing. Here there is no complete communication.. In a communication process there are message senders and message receivers. .

- 2. Understanding in the same sense:** The receiver should understand the message in the same sense i.e., in right direction. If he does not understand it, there will be no effective communication. For example, if a message is written in uncommon words, the receiver will not be able to understand it correctly.
- 3. Message need to have substance:** The receiver can take ideas, information or facts out of the message. It means, only related information is communicated to the concerned persons.
- 4. Communication can be symbolic:** It may be oral, written or a gestural (rolling of eyes, movement of lips).
- 5. Continuous Process:** Communication is a regular process just like blood circulation in our body. Communication fulfils its purpose when the receiver understands the message.
No organization, business or management survives without communication.
- 6. Communication is contextual:** The meaning of communication may vary depending on contexts.
- 7. Communication is purposive:** It is done to share meaning, to impart information or influence.
- 8. Communication involves people:** Without people there is no Effective Communication.

Types and Directions of Communication

1. One way communication: This is a form of communication that the sender sends information without expecting or getting feedback from the receiver. For example, communicating policy statements from top managers to the lower level managers. Broadcast stations where the journalist reads the news.

2. Two way communication: This is a form of communication that the sender sends information which occurs or exists when the receiver provides feedback to the sender. For example, making a suggestion to a subordinate and receiving a question or counter suggestion is a two way communication.

3. Formal communication: It follows formal channels in an organization and maintains the hierarchy of authority and chain of command.

A. Downward communication: It starts with top management and flows down through management levels to line workers and non-supervisory personnel. Its major purposes are to advise, inform, direct, instruct and evaluate subordinates and to provide organization members with information about organizational goals and objectives.

B. Upward communication: It is the transmission of information formally from the lower levels of the organization to the top. Its main function is to supply information to the upper levels about what is happening at the lower levels. It includes progress reports, suggestions, explanations, and requests for aid or decisions.

C. Lateral/Horizontal Communication: This is a type of formal communication between people at different units having the same status in an organizational structure. It is communication between and among members of work group, different departments, one work group and another, line and staff. Its main purpose is to provide a direct channel for organizational coordination and problem solving. It helps to avoid a much slower procedure of communications through a common superior. It also enables organization members to form relationships with their peers.

D. Diagonal Communication: Diagonal communication is between two or more persons who are neither in the same section nor on the same level of organizational structure. Generally, it comes into operation when other systems of communication fail to convey the information effectively. For example, the auditor has responsibility to check and verify the cash balance at the end of the accounting year, so, the auditor may be authorized to get information from the cashier directly. It is diagonal communication.

4. Informal Communication/the grapevine: Grapevines are developed within an organization as a result of common hobbies, hometowns, lunch or tea breaks, family ties, and social relationships among employees. The grapevine in an organization is made up of several informal communication networks that overlap and intersect at a number of points. It disregards rank and authority and may link organization members in any combination of directions-horizontal, vertical and diagonal.

Barriers to Effective Communication

Any factor that impedes/hinders the exchange of information between a sender and receiver is a barrier to communication.

1. Differing perceptions: - People who have different backgrounds of knowledge and experience often perceive the same phenomenon from different perspectives.

2. Language differences: - For a message to be properly communicated, the words used must mean the same thing to the sender and the receiver. The same symbolic meaning must be shared. Jargons must be avoided.

3. Noise: - Any factor that disturbs confuses or otherwise interferes with communication. Noise leads to information distortion. It may occur at any stage of communication and it can be internal or external.

4. Emotionality: - Emotional reactions such as anger, love, defensiveness, hate, jealousy, fear, and embarrassment that influences how we understand others' messages and how we influence others with our own messages.

5. Inconsistent Verbal and Nonverbal Communication: - The message we send and receive are strongly influenced by such nonverbal factors such as body movements, clothing, the distance we stand from the person we are talking to, our posture, gestures, facial expression, eye movement and body contact.

6. Distrust: The credibility of a message is to a large extent a function of the credibility of the sender in the mind of the receiver.

7. Filtering: - Is the act of interpreting information only having better conditions.

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8. Information overload: - If unnecessarily large amount of information is sent to a receiver then the receiver may fail to understand the message. For communication to be effective, the message must be as brief and simple as possible

Ways of Overcoming Barriers to Communication

A. Overcoming differing perceptions. The message should be explained so that it can be understood by those with different views and experiences.

B. Overcoming differences in language. The meanings of unconventional or technical terms should be explained; single, direct and natural language should be used.

C. Overcoming noise. Noise is best dealt with by eliminating it. As a whole it is good to avoid distracting environments. When noise is unavoidable, increase the clarity and strength of the message.

D. Overcoming emotionality. Before a crisis, try to understand your subordinate's emotional reactions and prepare yourself to deal with receivers. Also think about your own moods and how they influence others.

E. Overcoming inconsistent verbal and nonverbal communication. Gestures, clothes, posture, facial expression and other powerful nonverbal communications should agree with the message.

F. Overcoming distrust. Overcoming distrust is to a large extent the process of creating trust.

G. Redundancy. Repeating or restating a message ensures its perception or reinforces its impact.

Principles of Effective Communication

The communicator or the sender should observe the following principles for effective communication in all types of communication.

1. **Language.** The sender must use simple language and the language should be known to the receiver. Simple language means using '**familiar words**' while transmitting the information.

2. **Clarity.** The message should be transmitted in clear words. There should be unambiguous language. The sender should give the meaning of words instead of making the words speak for themselves.

3. **Purpose of Communication.** The basic purpose of any communication is to elicit a behavioral response from the receiver. The next stage is that the order should be accepted by the subordinate. So, the sender or communicator must make efforts to achieve the objectives of this response.

4. **Physical and human setting.** The communicator or the sender should bear in mind the circumstances and the receiving persons while communicating the message. The receiver may be an individual, concerned department personnel or organization.

5. **Consultation.** It is necessary to seek the participation of others in planning a communication. It helps the sender to get additional insight into and objectivity of the message. Moreover, those who participate and help communication planning will give active support to you.

6. Content of Message. The communicator should decide his tone of voice with reference to the content of the message. Sometimes, the communicator may make his voice loud or shrill in order to make the communication effective.

7. Follow-up action. Follow-up action is necessary to find out whether the receiver has understood the message correctly. The receiver may take some action after receiving the message. The sender should know the type of action taken by the receiver.

8. Time and opportunity. The sender should consider the interest and needs of the receiver of message. It helps him/her to find out the correct time when the message is to be communicated. In this way, the sender uses the opportunity to convey the message for enduring and immediate benefits to the receiver.

9. Action Support Communication. The actions or attitudes of the sender should support the message.

For example, the sender may raise his hand to convey the message of 'stop the work'. So, the actions of the sender should not contradict his words or message.

10. Personnel Co-operation. Co-operation of the personnel is necessary to make effective communication. The communication results in strengthening the business concern through the co-operation of managerial personnel.

11. Listening. Listening is one of the most important tasks of the sender. Here, listening refers to the reactions of the receiver. The sender must learn to listen with the inner ear. The sender can gather useful information through listening for further communication. So, the sender should stop talking, because without stopping the talking one cannot listen.

Unit 7

Controlling

Controlling is the last function of management. The controlling function will be unnecessary to the management if other functions of management are performed properly. If there is any imperfection in the planning and actual performance, control will be needed. The deviations are set right by the controlling function. This function ensures desired results. ***Planning identifies the activities and controlling regulates the activities.*** Success or failure of planning depends upon the result of success or failure of controlling.

Meaning of Controlling

Controlling is the process of ensuring that performances conform to planned activities. Controlling consists of decisions and actions that managers undertake to ensure that actual results are consistent with desired results.

Knootz and O'Donnell, "Controlling is the measurement of accomplishment against the standards and the correction of deviations to ensure attainment of objectives according to plans."

Henry Fayol, "Controlling is about verifying whether everything occurs in conformity with the plans adopted, the instructions issued and principles established by point out weaknesses and errors in order to rectify them and prevent recurrence."

Importance of Controlling

The basic importance of controlling is to make sure whether plans are implemented and desired results are achieved or not. It is directed towards ensuring the attainment of the pre-determined objectives. The control is necessary on account of the following reasons:

1. Judging the accuracy of standards. The performances should be compared with the fully accurate standards. But, it is very difficult for a large and complex organization to establish the fully accurate standards because of the lack of timely information. In such a case, the control is necessary to judge the accuracy of standards.

2. Minimize dishonest behavior. An honest person may tempt to misbehave in the absence of control. Only an efficient control minimizes the dishonest behaviors or maintains honest behavior on the part of employees.

3. Better performance. Employees will become lazy in the absence of control. Control facilitates to get better performance and regulate the efforts of the employees.

Characteristics or the features of control

1. It is a process. Controlling is also a continuous process just like other functions of management. The superior has continuous watch over the entire operations.

2. It is universal. Control is applied at all levels of management and irrespective of the organization. The manager of business and non-business concern uses control to regulate the on-going activities to obtain desired goals. The nature, scope and limit of control exercised by the manager vary according to the levels of management.

3. It is forward looking. Control has links with future. Past cannot be controlled. But, the future activities may be controlled on the basis of past experience. The presence of control reduces the wastages, losses and deviation from standards.

4. It is a dynamic process. The control technique is changed to the nature of deviations. Besides, control results in changes in the performance of other functions of management.

Requirements of Effective Controlling System

1. **Suitability-** good controlling is obviously appropriate to the nature, needs and circumstances of a firm and each level of activity inside it.

2. **Pragmatic-** good controlling is flexible enough that it can be adjusted to fit the needs of any modification or change in a plan. Its usefulness or use value is observable and clear.

3. **Quick Reporting-** Since time is an important element in enforcing a control system, man ideal control system enables any supervisor to report quickly.

4. **Objective-** A good control is not arbitral and subjective. It aims at reaching tangible results.

5. **Economical-** An ideas control must not be expensive.

6. **Simple-** A good Control is easy to understand and operate.

7. **Internal Corrective Mechanism-** An ideal control provider for solutions to the problems that cause deviations.
8. **Feedback** – it is the process of adjusting future actions based upon the information regarding past performance.
9. **Forward looking** – Effective control system must focus how the future actions will conform to plans.

Types of Controlling Methods

Management can implement controls- before an activity commences, while the activity is going on, or after the activity has been completed. The three respective types of control based on timing are feed forward, concurrent, and feedback control.

1. Feed forward control

It is also known as Pre-Control, preliminary control, preventive control or steering control.

It focuses on the regulation of inputs (human, material, and financial resources that flow in to the organization) to ensure that they meet the standards necessary for the transformation process.

Estimated/forecasted/future results VS Plans/standards

It is desirable because it allow management to prevent problems rather than having to cure them later. Unfortunately, this control requires timely and accurate information that is often difficult to develop.

2. Concurrent Control

It is also called Screening control or yes-no control because it often involves check points at which determinations are made about whether to continue progress, take corrective action, or stop work.

It takes place while an activity is in progress. It involves the regulation of ongoing activities that are part of transformation process to ensure that they conform to organizational standards.

Concurrent performance VS Plans

3. Feedback Control

It is also called post action control or output control. This method employs historical outcomes as bases for correcting future actions.

It focuses on the outputs of the organization after transformation is complete. N.B: It serves as a base for future activities.

Actual results VS Planed action

Advantages

- Used when the above two are not feasible or costly
- Provides managers information on how effective its planning effort was
- It can enhance employees' motivation

Drawbacks

- The manager has the information after a significant problem/damage is already done.

The controlling Process

1. Establishment of Standards

It is necessary to find the results which are desired. It is very useful to set the standards. A standard is the model or level of performance to be attained. Standards may be: quantitative or qualitative standards.

- A. Quantitative Standard:** A quantitative standard is a measurement in terms of dollars, time elapsed, percentage, weights, distance or some other numerical terms. These standards are reasonably precise and can be measured with relative ease and simplicity.

The following are some of the most frequently used quantitative standards.

- I. **Time standard** - this indicates how much time should be required to achieve specific results.
For example- 40 work hours per week.
- II. **Cost standard** - this indicates how much money should be spent to perform an activity
- III. **Revenue standard** - this indicates how much income should be received from a specific operation.
- IV. **Historical data** - managers often use past result as a basis for estimating future satisfactory performance.
- V. **Productivity standard** - productivity is needed in all the activities of an enterprise. For example, sales production might be expressed as sales per employee per day or per week.
- VI. **Return on Investment (ROI):** This is the ratio of net income to invested capital. It may also be called the accounting rate of return and it expresses the profit earned from a project as a percentage of capital cost.
For example, if an enterprise invests \$10 million and gets a total net income of \$2 million, the return on investment (ROI) would be 20 %; (i.e. $2/10 \times 100$).
- VII. **Profitability** - this can be expressed as a ratio of net profit to sales.
For example- if a firm earns a profit of \$5 million on sales of \$50 million, the profitability ratio is 10 percent. I.e. $\frac{\$5 \text{ million}}{\$50 \text{ million}} \times 100 = 10\%$

B. Qualitative Standard: A qualitative standard is subjective and difficult to use in evaluating performance. It is not tangible as the quantitative standard. They will be expressed in qualitative terms such as goodwill, employee's morale, motivation, etc.

2. Measuring Performance

The organizational performances should be compared with the established standards. So, necessary information should be collected about the performance. If standards are expressed in quantitative terms, quantitative information can be collected. In other words, if standards are expressed in qualitative terms, qualitative information can be collected. Several techniques are used by the management to measure the performance.

3. Comparison of actual with standard performance

Whenever the actual performance is compared with standards, the deviations are known to the management. Then, the management may find the extent of deviations and identify the reasons for deviations. Comparison is very easy when standards are expressed in terms of quantity. If results are intangible or qualitative, personal observation will be used to find out the extent of deviation.

4. Identifying causes of Deviation

Before taking corrective action, the management should find out the causes of deviation. When the actual performances are equal to the standards, there is no need for further action. Control process comes to an end at stage three. However, if the standards are not achieved, the management has to decide the type of corrective action. The causes of the deviation may be controllable or uncontrollable. The management has to take necessary corrective action only in case the causes are controllable. However, no need will arise to the management to take corrective actions if the causes are uncontrollable.

Causes of deviation may be:

- Ineffective/Inadequate communication
- Defective system of wage and salary payments
- Defective system of employee selection
- Lack of proper training
- Lack of motivation
- Ineffective supervision, etc.
- Lack of resources

5. Taking Corrective Action

The management has to take necessary corrective action on the basis of nature of causes of deviations. Corrective actions may involve simple act, such as adjusting a machine or giving employee instruction on how to perform properly.

