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Sciences



Lectures in the course

# "Institution Management "

**Aimed at students** Second year:

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- ✓ Economic Sciences
- ✓ Commercial Sciences
- ✓ Management Sciences
- ✓ Financial and accounting Sciences

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## General introduction

This press provides a comprehensive overview of the basic principles of management. It covers the main topics that represent the basic functions of managerial work within various types of organizations—be it economic, social or service-oriented. The aim is to provide students and readers with a clear understanding of the management process, its tools and modern technologies by exploring the main stages such as planning, organization, direction and control, along with the organizational structure and Management Information Systems. The content is structured around the following main topics:

- **Management:** introduces the general concept of management, its characteristics, importance and basic functions.
- **Planning:** focuses on setting future goals and identifying the necessary steps to achieve them.
- **Organization and staffing:** covers the distribution of tasks, the creation of an effective job structure, the recruitment and placement of appropriate personnel.
- **Organizational structure:** explains the different types of organizational structures and the principles underlying their design. **Mentoring:** discusses leadership, motivation and directing employees towards achieving organizational goals.
- **Control:** highlights the importance of monitoring performance and ensuring alignment with planned goals. Management
- **Information System:** explores the role of Information Systems in supporting decision-making and improving organizational efficiency.

This material aims to provide readers with a solid theoretical foundation in management and help them relate these concepts to practical applications in real-world organizational settings.

# Management

## **STRUCTURE**

1.1 Introduction

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## 1.1 Introduction

Human beings have various needs and desires that they cannot fulfill alone. To achieve their goals, they join together in organized groups such as families, sports teams, educational institutions, businesses, and governments. As these groups grow and become more complex, the need for effective management increases significantly.

Management is essential not only in businesses but also in banks, schools, hospitals, hotels, religious organizations, and charitable trusts. Achieving organizational goals requires the coordinated efforts of many individuals, guided by the management process.

Management is not simply about issuing orders, analyzing financial reports, or enforcing rules; it is a powerful force that shapes the lives and happiness of people and influences the destiny of nations. Peter F. Drucker emphasized in his book *The Practice of Management* that management has rapidly emerged as a vital, distinct, and leading social institution — and rarely in history has a new institution become so indispensable with so little resistance or controversy.

## 1.2 Objectives

After going through this lesson, you should be able to:

- ✓ Describe the meaning of management and its objectives
- ✓ Elucidate the evolution of management thought
- ✓ Discuss the scope and significance of management
- ✓ Explain in detail the features, levels and importance of management
- ✓ Differentiate between traditional and modern management thought

## 1.3 Meaning and Concepts of Management

The word "management" can be broken down as "Manage-men-t," suggesting the idea of managing people tactfully. Managing people effectively requires understanding human nature, which is often unpredictable and complex, making management a challenging task.

### 1.3.1 Definitions of Management

A traditional definition describes management as "the art of getting things done through others." This definition highlights two key elements: achieving objectives and directing group efforts toward a goal. However, it has certain limitations. Firstly, it refers to management as an "art," while in reality, management is both an art and a science. Secondly, it does not clearly explain the various functions performed by a manager.

The study of any discipline should begin with a clear definition that outlines its content, scope, characteristics, and objectives. However, defining management precisely is not easy because the term is used in various ways. As a relatively new field, management has drawn from multiple disciplines like economics, sociology, psychology, anthropology, and statistics.

- ✓ As a result, different groups interpret management differently:
- ✓ Economists view it as a factor of production
- ✓ Sociologists see it as a social class or group
- ✓ Practitioners consider it a process consisting of various activities.

Due to these diverse perspectives, providing a comprehensive and universally accepted definition of management is quite challenging.

### **A set of different definitions for thinkers and scientists:**

Management has been defined differently by various scholars, reflecting different aspects of its nature:

- ✓ **Functional Concept:** Management is seen as the process of planning, organizing, directing, coordinating, and controlling activities to achieve business objectives. (**William Spriegel, Louis A. Allen, George R. Terry, Henry Fayol**)
- ✓ **Human Relations Concept:** Management is the art of directing and inspiring people to achieve goals through coordinated group efforts. (**J.D. Mooney, Lawrence A. Appley, Harold Koontz**)
- ✓ **Leadership and Decision-Making Concept:** Management is both an art and a science focused on decision-making and leadership to guide human efforts towards set goals. (**Donald J. Clough, Stanley Vance, Ralph C. Davis**)
- ✓ **Productivity Concept:** Management aims to achieve maximum results with minimum effort, enhancing both organizational prosperity and employee satisfaction. (**F.W. Taylor, John F. Mee**)
- **Integration Concept:** Management is about integrating human and material resources efficiently to achieve organizational objectives. (**Keith and Gubellini, Robert Trewatha**)

**Final Analysis:**

While these definitions emphasize different aspects, they are not contradictory. Together, they show that management involves:

- ✓ Setting objectives, plans, and policies.
- ✓ Acquiring and utilizing resources efficiently.
- ✓ Organizing work processes effectively.
- ✓ Leading, motivating, and supervising people.
- ✓ Controlling operations and ensuring overall well-being for employees, employers, and society.

Thus, management is a comprehensive process that combines technical, human, and social efforts toward achieving organizational goals.

### Concepts of Management

In the present context, the term management is used in three alternative ways:

- Management as a discipline,
- Management as a group of people, and
- Management as a process.

| Management as a discipline   | Management as a group of people, and   | Management as a process.  |
|--|--|---|
| Management is considered a discipline because it consists of well-defined concepts and principles that guide effective organizational leadership. It combines elements of both science (principles) and art (practical application). | Management can also refer to the group of individuals who perform managerial tasks within an organization, distinguishing them from non-managerial staff like workers or laborers. However, this view does not fully capture the meaning of management as a concept. | Primarily, management is viewed as a dynamic process involving a systematic flow of activities aimed at achieving organizational goals. This process includes both operational activities (actual work like operating machines) and managerial activities (guiding and directing others). Thus, management is best defined as "the process of getting things done through others" by coordinating efforts efficiently and effectively toward shared objectives. |

## 1.3.2 Features and Nature of Management

### Features

From various definitions, management shows these key characteristics:

- ✓ **Art and Science:** Management requires skill (art) and follows established principles (science).
- ✓ **An Activity:** It involves utilizing resources (men, money, material, machines) effectively.
- ✓ **Continuous Process:** Management activities like planning, organizing, directing, and controlling are ongoing.
- ✓ **Goal-Oriented:** It focuses on achieving predetermined objectives.
- ✓ **Organized Activities:** It coordinates group efforts systematically.
- ✓ **Factor of Production:** Along with land, labor, and capital, management is essential for production.
- ✓ **System of Activity:** It integrates individual and organizational goals through the use of authority.
- ✓ **A Discipline:** It has a growing body of knowledge, though not as exact as physical sciences.
- ✓ **Purposeful:** Always aimed at achieving organizational goals.
- ✓ **Distinct Entity:** Management is different from functional tasks; it focuses on "how" to get work done.
- ✓ **Profit Maximization:** Proper resource use should lead to increased profits.
- ✓ **Decision-Making:** Daily decision-making is crucial to organizational success.
- ✓ **A Profession:** It meets many characteristics of a profession with a knowledge base and application of principles.
- ✓ **Universally Applicable:** Management principles apply across all industries.
- ✓ **Getting Work Done:** Managers achieve results through others.
- ✓ **A Class/Term:** Managers form a distinct class, like engineers or doctors, sharing common goals.
- ✓ **A Career:** Management offers specialized career paths (finance, marketing, HR, etc.).

- ✓ **Direction and Control:** Managers guide and oversee subordinates to ensure resource efficiency.
- ✓ **Dynamic:** Management evolves with business and social changes.
- ✓ **Needed at All Levels:** Management functions are necessary from top executives to supervisors.
- ✓ **Leadership Development:** Management cultivates leadership qualities at all levels.

### Nature of Management

Management has evolved significantly over time, moving from a practice based on experience to a more formal, scientific discipline. Its nature can be described through the following points:

#### 1. **Multidisciplinary**

- ✓ Management draws concepts and knowledge from multiple disciplines like psychology, sociology, economics, statistics, anthropology, and more.
- ✓ It integrates these diverse ideas to create practical management concepts.

#### 2. **Dynamic Nature of Principles**

- ✓ Management principles are flexible and adapt to changing environments.
- ✓ Continuous research leads to updates and revisions of existing principles—nothing is considered final.

#### 3. **Relative, Not Absolute Principles**

- ✓ Management principles vary in effectiveness depending on the situation, organization, time, place, and people.
- ✓ They must be applied considering the specific circumstances and changing conditions.

#### 4. **Management as Science and Art**

- ✓ Management is a **science** because it is based on systematically developed principles.
- ✓ It is an **art** because it requires personal skills, experience, and creativity in applying those principles.

#### 5. **Management as a Profession**

- ✓ Management is increasingly seen as a profession, though some argue it hasn't fully achieved professional status yet.
- ✓ It involves specialized knowledge, ethical standards, and systematic practice.

#### 6. **Universality of Management**

- ✓ Management applies to all types of organizations (business, government, non-profits).
- ✓ However, its principles must be adapted based on the specific organizational context.

### MANAGEMENT: SCIENCE OR ART

The debate about whether management is a science, an art, or both is an old and ongoing one. Understanding this is important because **the way management is learned** depends on whether it is treated more like a science or an art.

- **Learning Science** = Assimilating principles and systematized knowledge.
- **Learning Art** = Gaining mastery through continuous practice and experience.

Historically, early managers relied heavily on **intuition, commonsense, and experience**, rather than formal management education. However, commonsense and science differ in key ways:

| Commonsense                          | Science                                 |
|--------------------------------------|---|
| Vague                                | Precise and systematic                  |
| Often inconsistent                   | Based on logical consistency            |
| Ignores explanations                 | Seeks to systematically explain events  |
| Does not test conclusions critically | Exposes claims to experimental analysis |

### Management as Science

Based on the analysis provided, management cannot be regarded as a pure science but can be categorized as an “inexact science” or “pseudo-science”. This is because it lacks some of the defining characteristics of natural sciences, although it shares some aspects of scientific methods and principles. The reasoning is based on several key factors:

Like natural sciences (e.g., physics, biology), management is an evolving discipline. However, it is still in the process of achieving internal consistency, which is common in more mature sciences. Management approximates this maturity but isn’t fully there yet.

- Conceptual Clarity:** In natural sciences, concepts must be clearly defined, and their measurement procedures must be precise. In management, terms like “management” and “organization” are often

ambiguous and used in different ways, leading to confusion. This lack of consistency hampers the exactness required for it to be considered a science

- b) Controlled Observations:** In the scientific method, observations are controlled to identify causality. However, this is challenging in management, as organizational phenomena often cannot be controlled in the same way. Biases and confounding variables in management research complicate the ability to pinpoint cause-and-effect relationships.
- c) Testability and Empirical Confirmation:** Theories in science are tested repeatedly under controlled conditions, yielding consistent results. Management principles, on the other hand, often lack empirical evidence and are not universally applicable. Many management principles do not give consistent results under varying conditions, making them unreliable as scientific laws.
- d) Mathematics in Management:** While mathematics is increasingly used in management (especially in areas like decision-making and statistics), this does not mean management is becoming a purely mathematical science. Mathematics aids in explaining, codifying, and making decisions within the management field, but the core of management is not purely scientific. Instead, mathematics serves as a tool to better understand and solve managerial problems.

### Management as an Art

#### Application of Skills and Knowledge:

Just like in other forms of art, management requires the use of expertise and practical know-how. While scientific knowledge can inform decisions, it's the skillful application of that knowledge that drives results.

- **Achievement of Concrete Results:** Like music, painting, or sculpture, management aims to accomplish specific goals. It is not just about theory or knowledge but about realizing tangible outcomes within an organization.
- **Creativity:** Creativity is a key component of management as an art. Managers must adapt to new and changing environments, create innovative solutions, and transform challenges into opportunities. The ability to think creatively and adjust to situations often dictates managerial success.
- **Personalized Approach:** There is no one-size-fits-all way to manage. Management practices are deeply influenced by the individual's

personality, experience, and style. Different managers may approach the same situation with distinct techniques and strategies. This personalization of management is a hallmark of its artistic nature. The effectiveness of management often depends not just on knowledge but also on the unique qualities of the manager.

- **Science vs. Art in Management** While management relies on scientific principles, theories, and methods (such as statistical analysis, strategic planning, and organizational behavior), it also involves significant artistry. The art of management is about adaptation, intuition, and the ability to apply knowledge in a practical, dynamic environment.

### Management as Both Science and Art

Management is often regarded as both a science and an art. The knowledge of management principles (science) is essential, but the skill to apply that knowledge effectively (art) is also critical. The integration of both allows for successful management, as applied knowledge is more powerful than mere knowledge. This dual nature suggests that management requires a balance between theoretical understanding and practical application. While some argue that further advances in the science of management could restrict the art aspect, the reality is that management is inherently situational, and applied knowledge (art) remains crucial for solving real-world problems.

### Management as a Profession

A profession requires specialized knowledge, training, and an ethical commitment to serve societal interests. Management meets some, but not all, of the essential characteristics of a profession:

- a) Existence of Knowledge** Management has evolved into a distinct body of knowledge over the last few decades, particularly due to the need for better management in large and complex organizations. This satisfies the criterion of an organized knowledge base.
- b) Acquisition of Knowledge:** A professional occupation typically requires formal, specialized training. However, management doesn't have such a strict entry requirement. While management graduates may perform better in managerial roles, individuals without formal management education can also enter and succeed in management positions, indicating a gap in the professional criteria.
- c) Professional Association:** Many professional associations exist, like the All India Management Association (AIMA), which support managers and

provide a sense of community. However, management does not have a unified, globally recognized professional body like law (Bar Council) or medicine (Medical Council), which weakens its claim to being a true profession.

- d) **Ethical Codes:** Many professions have formal ethical codes that all professionals must adhere to. While management has formulated some ethical standards, they are not universally adopted or enforced. This lack of a global, universally accepted ethical framework undermines management's status as a full profession.

**Service Motive:** Like other professions, management contributes to societal well-being. Its role in integrating resources and facilitating the productive use of resources is invaluable to society. However, the emphasis on profit and monetary value in management means that, unlike some other professions (e.g., medicine), the focus on service and social contribution may not be as pronounced

### 1.3.3 Objectives of Management

The objectives of management are critical for the successful operation and growth of a business. They serve as guidelines, providing direction and structure for the organization. Without well-defined objectives, the business risks running aimlessly, like flying without a map, as Peter F. Drucker emphasized. Management must aim for both effectiveness and efficiency, ensuring resources are used optimally while achieving organizational goals.

Here are the key objectives of management:

- a) **Optimum Utilization of Resources:** The primary goal of management is to make the best use of resources—such as manpower, materials, machinery, and money. Efficient resource management helps the company generate profits, which in turn satisfy the interests of stakeholders (owners, employees, customers, etc.). Proper utilization of physical and financial resources is vital for sustaining the business.
- b) **Growth and Development of Business:** Management helps steer the business towards growth and long-term success through effective planning, organization, and leadership. This objective includes expanding the business profitably, ensuring the stability of the company, and fostering a secure environment for both employees and employers.
- c) **Better Quality Goods:** Management aims to ensure the production of high-quality goods at the most cost-effective prices. By minimizing waste,

streamlining processes, and continually improving operations, management can provide better products that meet customer needs while maintaining profitability.

- d) **Ensuring Regular Supply of Goods:** A key objective is to ensure a steady and reliable supply of goods to consumers. This helps prevent artificial scarcity and keeps prices stable. Consistent availability of products in the market contributes to customer satisfaction and competitive pricing.
- e) **Discipline and Morale:** Management plays a vital role in maintaining discipline within the organization. By fostering a positive work culture and boosting employee morale through incentives, management ensures a motivated workforce that is aligned with the organization's goals.
- f) **Mobilizing Best Talent:** One of the key objectives of management is to attract and retain the best talent. By creating an environment that offers competitive pay, career growth opportunities, and proper work conditions, businesses can draw talented individuals who will enhance the overall performance of the company.
- g) **Promotion of Research and Development:** Effective management encourages research and development (R&D) to stay ahead of the competition and tackle future challenges. R&D ensures the company adopts the latest technologies and innovations, benefiting both the business and society.
- h) **Minimizing Risk:** Through forecasting and planning, management can reduce uncertainties and minimize risks. While the future can never be predicted with certainty, past experiences and analysis of current circumstances help managers make informed decisions to mitigate potential risks.
- i) **Improving Performance:** Management's goal is to continually enhance performance across all departments and functions. Creating a supportive work environment and setting clear objectives for each factor of production can help employees achieve their maximum potential, leading to improved overall business performance.
- j) **Planning for the Future:** Management must always plan ahead, with a focus on future growth and opportunities. Forward planning is essential to ensure the business adapts to changing circumstances and is prepared for challenges. Effective planning now will directly influence the organization's success in the future.

## 1.4 Evolution of Management Thought

### Evolution of Management Thought

The development of management thought is crucial for understanding the current theories and practices in the field, particularly in light of the economic conditions and organizational dynamics since 1980. This historical perspective allows us to assess the trajectory of management theory and anticipate future developments. The evolution can be broken down into three broad stages:

#### A) Classical Theory of Management

The classical theory laid the foundation for modern management practices. It was a response to the challenges of industrialization, efficiency, and organization. The classical approach can be divided into three primary streams:

Bureaucracy (Max Weber, early 1900s)

- ✓ **Key Idea:** Bureaucracy refers to a formal organizational structure with a clear hierarchy, strict rules, and procedures.
- ✓ **Focus:** It emphasizes rationality, order, and efficiency within large organizations. Weber's model promoted the idea of a structured and systematic way of managing organizations with well-defined roles and authority.
- ✓ **Scientific Management (Frederick Winslow Taylor, 1910s)**
- ✓ **Key Idea:** Scientific management aims to improve productivity through systematic study and optimization of work processes.
- ✓ **Focus:** Taylor's approach involved time studies, standardizing tasks, and establishing incentives for efficiency. It focused on breaking down tasks to improve individual performance and utilizing scientific methods for labor management.
- ✓ **Process Management Theory (Henri Fayol, 1910s)**
- ✓ **Key Idea:** Fayol developed the theory of administrative management, which focused on the functions of management.
- ✓ **Focus:** Fayol's principles emphasized planning, organizing, commanding, coordinating, and controlling. He introduced the idea that management was a process and identified 14 principles of management, which are still referenced today.

#### B) Neo-Classical Theory

The neo-classical theory emerged as a response to the classical approach, particularly with its focus on human relations and behavior in the workplace. It

refined and expanded upon earlier theories by incorporating a more human-centric view of management.

- ✓ Human Relations (Elton Mayo, 1930s)
- ✓ Key Idea: The human relations movement focuses on the importance of social and psychological factors in the workplace.
- ✓ Focus: Elton Mayo and his colleagues at the Hawthorne Studies identified that workers' attitudes, motivation, and interpersonal relationships played a crucial role in productivity. This movement shifted the focus from efficiency alone to the well-being of employees.
- ✓ Behavioral Sciences Approach (Abraham Maslow, Douglas McGregor, 1940s)
- ✓ Key Idea: The behavioral sciences movement advanced the human relations perspective by integrating psychological and sociological insights.
- ✓ Focus: Maslow's hierarchy of needs emphasized the importance of fulfilling basic human needs for motivation, while McGregor's Theory X and Theory Y highlighted differing assumptions about employee motivation and behavior. These theories suggested that managers should take a more people-centered approach to management, recognizing the intrinsic motivations of employees.

### **C) Modern Management Theories**

From the mid-20th century onward, modern management theories integrated both quantitative and qualitative approaches. These theories reflect the complexities of managing in rapidly changing, technology-driven environments. The three major streams in modern management thought are:

#### Technical and Quantitative Sciences

**Key Idea:** This approach emphasizes the use of quantitative techniques and tools, such as operations research, statistics, and computer systems, to aid decision-making.

- ✓ Focus: The technical approach is rooted in the application of mathematical models and optimization techniques to solve managerial problems. The increasing use of computers and information systems during the 1960s and 1970s contributed significantly to this stream.
- ✓ Systems Approach to Organization and Management
- ✓ Key Idea: The systems approach views an organization as a complex set of interrelated and interdependent parts.

- ✓ Focus: This perspective treats organizations as open systems that interact with their environment. Managers must understand and manage the interactions between various subsystems (e.g., production, marketing, finance) to optimize overall performance. It emphasizes holistic thinking and the importance of feedback loops and adaptation.
- ✓ Contingency Approach to Organization and Management
- ✓ Key Idea: The contingency approach suggests that there is no one-size-fits-all solution to management problems; instead, management practices should depend on the specific context or situation.
- ✓ Focus: This approach emphasizes the need for flexibility and adaptability in decision-making. It recognizes that the appropriate management practices depend on factors such as organizational size, structure, technology, and external environment. It stresses that effective management requires a situational analysis and the application of different strategies in varying circumstances.
- ✓ Current and Future Trends in Management Thought

**Systems Approach:** The systems approach continues to be relevant, especially in today's interconnected world. Organizations are increasingly complex, with many interdependencies. The systems perspective helps managers understand the big picture and optimize interactions between various departments and external entities.

**Contingency Approach:** As the business environment becomes more dynamic, the contingency approach gains prominence. Modern managers must be adaptable, responsive, and capable of making decisions based on a wide range of factors. The use of big data and analytics is transforming how managers assess and respond to changing conditions.

**Emerging Trends:** As the world continues to evolve, future management theories may incorporate advancements in artificial intelligence, sustainability practices, globalization, and digital transformation. The ongoing development of agile management and design thinking reflects the growing need for innovation and flexibility in decision-making processes.

## **1.5 Traditional Management vs. Modern Management**

The traditional management style, which I like to call the “Command and Conquer” approach, has largely fallen out of favor, except in specific contexts like the military. It still exists, however, in certain government agencies and some private institutions (although not in the military, of course). This management style tends to be less concerned with employee well-being and more focused on achieving results. It can push employees to their limits, often forcing them to obey without consideration.

Managers who follow this approach usually derive their authority from their position, rather than through effective leadership or soft skills. They strictly adhere to the chain of command and focus mainly on achieving results, sometimes at the expense of their employees' morale. In many cases, these managers may try to engage with employees, but fail to create meaningful connections or gain their sympathy. Employees often obey out of fear, not respect, which can be damaging. Fear is not the same as respect—it creates obedience but not genuine trust or mutual regard.

This traditional management style may still function in military contexts, and in some countries like India, China, Japan, and certain European companies. However, it works best in the military, where the need for discipline and structure is paramount. In the rest of the world, especially in Western countries, the downsides of this approach, particularly in terms of workforce morale and long-term organizational health, have become increasingly clear.

When managers rely on fear and avoid meaningful communication with their employees, they create a work environment that is demotivating, unreliable, and inefficient. Employees may feel unappreciated, resulting in a lack of motivation and a breakdown in trust and respect. In the end, this approach damages the overall harmony and effectiveness of the team.

This is why the emergence of modern management styles is so crucial. Modern managers focus on respect, understanding, and communication, which leads to better results. As Jaime Menor, an expert on employee recognition, says: “A simple gesture, like saying ‘thank you’ and encouraging an employee, helps them feel valued and contributes to the organization’s success”.

Modern management, unlike traditional styles, relies heavily on soft skills such as consensus-building, relationship-building, listening, and empathy. The modern manager doesn't necessarily possess formal authority over employees; instead, their power comes from the willingness of the employees to trust and follow them. This style is similar to a matrix organization or a project management approach, where teamwork, participation, and ownership are prioritized.

In the long run, this modern style of management is the most effective. It fosters a motivated, dependable, and cohesive team. Simple gestures of appreciation, effective communication, and a focus on employees' well-being create a positive and collaborative environment. A team with strong communication skills, self-respect, and high motivation will be more resilient,

treating both successes and failures as learning opportunities. The modern management style emphasizes that employees are valuable, not just as workers, but as essential members of the organization.

## 1.6 Summary

Management plays a crucial role in guiding a business by helping to track daily operations, assess its progress, and manage risks and complexities. It ensures that the business is moving in the right direction and helps in minimizing avoidable mistakes. Effective management, especially in communication, helps ensure that messages are accurately conveyed and understood, which in turn helps in better understanding and meeting client needs. This understanding enables more sustainable business growth.

In the 21st century, managers face significant challenges, such as hiring and retaining the right employees, fostering a strategic mindset, promoting innovation, and eliminating short-term thinking. Human Resource (HR) managers play a key role in building a committed team by ensuring they hire the right employees who are not only skilled but also adaptable to the company's culture. This leads to higher productivity, quality performance, and profitability. HR managers must continuously update their skills to keep up with the evolving labor market and working environment, as employees' innovative capabilities cannot be replaced by technology.

Another key challenge for managers is building a strategic mindset among employees. Managers need to help employees recognize the company's vision and work towards common goals. It's essential to shift from a reactive approach to decision-making to a proactive one, where managers anticipate problems and address them before they arise, rather than simply reacting to issues after they occur. This proactive approach ensures that the business is always prepared for future challenges.

## Glossary

- **Management:** The process of planning, organizing, leading, and controlling resources (human, financial, and material) to achieve organizational goals effectively and efficiently.
- **Business Management:** The discipline that focuses on managing an organization's resources, people, and operations to achieve its objectives while balancing profitability, productivity, and employee well-being.
- **Human Resources (HR) Management:** The process of recruiting, managing, and developing employees in a way that maximizes their contributions to the organization's goals while maintaining a healthy workplace environment.

- **Strategic Mindset:** A long-term, proactive approach to decision-making, where managers anticipate future challenges and opportunities and align the organization's efforts towards achieving its goals.
- **Innovation:** The process of developing new ideas, products, services, or processes that add value to the organization and its stakeholders.
- **Organizational Culture:** The set of shared values, beliefs, norms, and behaviors that shape the work environment and guide employees' actions and decisions.
- **Proactive Management:** An approach where managers anticipate potential problems and take preventive actions to address them before they escalate, as opposed to reacting only when problems arise.
- **Reactive Management:** A management approach where decisions and actions are taken only in response to problems or external factors, often after issues have already occurred.
- **Employee Engagement:** The level of commitment and enthusiasm employees have towards their work and the organization, which directly impacts productivity, job satisfaction, and retention.
- **Communication Management:** The process of creating and maintaining effective communication channels within the organization to ensure that messages are accurately conveyed and understood by all stakeholders.
- **Short-Term Mentality:** A focus on immediate goals and results, often at the expense of long-term strategic planning and sustainability.
- **Strategic Vision:** The long-term plan for the organization, outlining its goals and the steps necessary to achieve them, which serves as a guide for decision-making and aligning efforts across the organization.
- **Systems Thinking:** An approach to problem-solving that focuses on understanding how various components of an organization or system are interconnected and how changes in one area can affect other parts of the system.
- **Employee Retention:** The ability of an organization to retain its employees over time by providing a positive work environment, professional growth opportunities, and competitive compensation.
- **Workforce Morale:** The overall satisfaction, motivation, and attitude of employees, which influences productivity and organizational culture.
- **Bureaucratic Management:** A management style that emphasizes a hierarchical structure, strict rules and regulations, and formalized procedures to maintain control and efficiency.
- **Command and Control Management:** A traditional, authoritarian style of management where decisions are made by top management and communicated down through the hierarchy, with little input from employees.
- **Matrix Organization:** A structure where employees report to both functional and project managers, facilitating better communication and collaboration across different areas of the organization.
- **Operations Research:** A field of study that uses mathematical models and analytical methods to help organizations make decisions and solve complex problems.

## 1.7. SUGGESTED READINGS

1. LM Prasad: Principles and Practice of Management (Sultan Chand & Sons)
2. Gupta, Sharma and Bhalla: Principles and Practices of Management
3. (Kalyani Publishers)
4. T. Ramasamy: Principles of Management (Himalaya Publishing House)
5. George R Terry: Principles of Management (Richard D Irwin Inc)
6. Harold Koontz and Heinzweihrich: Essentials of Management (Mcgraw Hill series in Management)
7. Peter F Drucker: Frontiers of Management (Heinemann London)
8. Peter F Drucker: Managing for future (Tata Mcgraw Hill)
9. J.S. Chandan : Management theory and Practice (Vikas Publishing House Pvt Ltd.)

# APPROACHES TO MANAGEMENT

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## **2.1 Introduction**

Management involves a wide variety of activities. Theorists and academic authors have contributed to the study of management. There are a variety of writings available on management techniques. The various approaches to management and differing views have only added to the confusion of what management is all about.

It isn't surprising to know that a highly respected author had called the situation as "the management theory jungle."

## **2.2 OBJECTIVES**

The lesson is an insight into the following topics related to management:

- ✓ The various approaches to management
- ✓ The systems approach to management
- ✓ The social responsibilities of management.
- ✓ Manager and environment
- ✓ Direct action environmen

## **2.3 APPROACHES TO THE STUDY OF MANAGEMENT**

### **2.3.1 Classical Approach**

The classical approach, also referred to as the traditional, management process, or empirical approach, emphasizes organizational structure, division of labor, specialization, and formal hierarchy. It views management as a systematic set of interrelated functions, focusing on how these functions are performed and interconnected. This perspective considers management principles to be universal and derived from the experiences of practicing managers, serving as guidelines for executive action.

A key characteristic of this approach is its treatment of the organization as a closed system, largely ignoring environmental influences. It advocates centralized authority, formal education and training (often through case studies), and emphasizes economic efficiency. Motivation is seen primarily as driven by financial incentives.

The classical approach evolved through three major streams: Taylor's Scientific Management, Fayol's Administrative Management, and Weber's Ideal Bureaucracy—all of which prioritized organizational structure to enhance efficiency.

#### **a. Merits of Classical Approach**

- ✓ The classical approach offers a convenient framework for the education and training of managers.
- ✓ The observational method of case study is helpful in drawing common principles out of past experience with some relevance for future application
- ✓ It focuses attention on what managers actually do.
- ✓ This approach highlights the universal nature of management.
- ✓ It provides scientific basis for management practice.
- ✓ It provides a starting point for researchers to verify the validity and to improve the applicability of management knowledge. Such knowledge about management is effectively presented.

### **b. Shortcomings of Classical Approach**

- ✓ Weber's ideal bureaucracy suggested strict adherence to rules and regulations, this led to red-tapism in the organization.
- ✓ It offers a mechanistic framework that undermines the role of human factor.
- ✓ The classical writers ignored the social, psychological and motivational aspect of human behaviour.
- ✓ The environmental dynamics and their effect on management have been discounted. Classical theory viewed organization as closed system i.e. having no interaction with environment.

### **2.3.2 Scientific Management Approach**

The scientific management approach emerged in response to the profound changes brought about by the First Industrial Revolution. The rapid mechanization of industry created a need for new management methods to enhance efficiency and productivity. Frederick Winslow Taylor introduced the concept of scientific management in the early 20th century in the United States. He defined it as “knowing exactly what you want people to do and ensuring they do it in the best and most cost-effective way.” Key Elements and Tools of Scientific Management:

- **Separation of Planning and Execution:** Taylor emphasized dividing the responsibilities of planning and performing tasks. Supervisors were to handle planning, while workers focused solely on task execution.
- **Functional Foremanship:** This division led to the development of a specialized supervision system. Taylor introduced the idea of functional foremanship, in which different supervisors handled distinct aspects of planning and oversight, ensuring greater specialization and efficiency.
- **Job Analysis:** This involves identifying the most efficient method for performing tasks—minimizing unnecessary movement to save time and reduce costs.

- **Standardization:** Consistency should be ensured in tools, work procedures, output levels, working conditions, and production costs to enhance efficiency.
- **Scientific Selection and Training:** Employees should be selected based on objective criteria such as education, experience, aptitude, and physical capability. Proper training must also be provided to match job requirements.
- **Financial Incentives:** Taylor emphasized the importance of motivating workers through monetary rewards (e.g., bonuses, compensation) and non-monetary incentives (e.g., promotions, career advancement).

### **Principles of Scientific Management:**

#### **Criticisms of Scientific Management:**

- Taylor's concept of functional foremanship, though intended to enhance specialization, proved impractical as it required workers to take instructions from multiple supervisors, leading to confusion.
- Hiring practices were often based on availability rather than assessing workers' skills or competencies.
- The approach was heavily production-focused, prioritizing technical efficiency over human considerations, which led to job monotony, reduced worker initiative, fatigue, and even wage cuts.
- Training lacked structure and relied mostly on basic apprenticeship, offering limited skill development.
- Work tasks were performed based on general practices rather than standardized methods, timing, or motion studies.
- Managers frequently worked alongside laborers, neglecting key managerial responsibilities such as planning and organizing.

### **2.3. 3. Administrative Approach to Management**

Proponents of this school view management as a process comprising key functions such as planning, organizing, directing, and controlling—hence the name *functional* or *management process* approach. Henri Fayol, a key figure in this school, outlined his ideas in his 1916 book *Administration Industrielle et Générale*, originally published in French. He defined management through a set of core functions and introduced fourteen universally applicable principles of management. Fayol is regarded as a pioneer in management education, and his contributions remain relevant and widely accepted in modern management practice

#### **Fayol's General Principles of Management**

Among the most important principles we mention:

- **Division of Work:** Specialization enhances productivity and efficiency by limiting the scope of tasks, allowing individuals to focus and perform better with less effort.
- **Authority and Responsibility:** Authority is the legitimate power to command, while responsibility is the obligation to perform. Fayol distinguished between formal (official) authority and personal authority, which stems from traits such as intelligence, integrity, and experience.
- **Discipline:** Discipline ensures adherence to rules and agreements, promoting smooth organizational functioning. It requires fairness, effective supervision, and appropriate enforcement of penalties.
- **Unity of Command:** Each employee should report to only one superior to avoid confusion and conflict in instructions.

**Criticism:** Fayol’s work has been criticized on the following grounds:

- ✓ He did not pay adequate attention to workers.
- ✓ The fundamentalists considered their principles to be universal in nature.
- ✓ But many of the principles have failed to deliver the desired results in certain situations.
- ✓ There is a vagueness and superficiality about some of his terms and definition.

### **Dissimilarity between contribution of Taylor and Fayol**

**Rephrased Comparison Between Taylor and Fayol (Concise and Academic):**

| Basis of Comparison       | Taylor   | Fayol  |
|---------------------------|--|--|
| <b>Perspective</b>        | Focused on the shop floor and the role of the supervisor               | Focused on top-level management and overall organizational structure |
| <b>Focus</b>              | Enhancing productivity through work simplification and standardization | Improving administration using general management principles         |
| <b>Personality</b>        | Scientist  | Practitioner   |
| <b>Results</b>            | Derived from scientific observation and precise measurement            | Based on universal truths drawn from personal managerial experience  |
| <b>Major Contribution</b> | Developed the science of industrial management                         | Formulated a comprehensive theory of management                      |

### **2.3. 4.Human Relation Approach to Management**

The Human Relations Approach to management emerged as a response to the limitations of the Scientific and Administrative approaches developed by Taylor and Fayol. Behavioral scientists criticized these earlier models for neglecting the human aspect of organizational life. Rather than viewing

employees as mere economic units, this approach emphasized their social and psychological needs—such as recognition, achievement, social interaction, freedom, and respect.

This school, largely founded on Elton Mayo's Hawthorne Studies at the Western Electric Company, views the organization as a *psycho-social system*. Its core assumptions include:

- ✓ Organizations are social systems.
- ✓ Employees have psychological and social needs in addition to economic ones.
- ✓ Workers value self-direction and self-control.
- ✓ Participative, employee-centered management is more effective than rigid, task-oriented styles.
- ✓ Informal groups play a vital role and should be acknowledged and supported.

The Human Relations Approach highlighted the importance of interpersonal relationships and employee well-being in achieving productivity and job satisfaction. Despite criticism for overemphasizing human needs at the expense of organizational goals, its major contribution lies in humanizing management practices and encouraging a more balanced, people-focused perspective in organizational life.

### **2.3. 5.Social System Approach to Management**

The **Social System Approach** to management, which evolved during the social science era, builds on the foundations of the Human Relations Approach. Pioneered by Chester I. Barnard, often regarded as the spiritual father of this school, it views management through the lens of social and cultural systems. According to this perspective, organizations are not just technical structures but dynamic cultural systems made up of people working cooperatively.

Key features of this approach include:

- ✓ Organizations are social systems shaped by cultural relationships.
- ✓ They are influenced by both internal and external environmental factors.
- ✓ Cooperation among individuals and groups is essential for achieving organizational goals.
- ✓ Effective management requires aligning the organization's objectives with the interests and values of its members.

### **2.3. 6. Decision Theory Approach to Management**

Decision Theory is the product of management science era. The decision theorists emphasize on rational approach to decisions, i.e. selecting from possible alternatives a course of action or an idea. Major contribution in this approach has come from Simon. Other contributors are March, Cyert, Forrester etc. The major emphasis of this approach is that decision making is the job of every manager. The manager is a decision maker and the organization is a decision making unit. Therefore, the major problem of managing is to make rational decision. The main features of this approach are:

- ✓ Management is essentially decision-making. The members of the organization are decision makers and problem solvers.
- ✓ Organization can be treated as a combination of various decision centers. The level and importance of organizational members are determined on the basis of importance of decisions which they make.
- ✓ All factors affecting decision making are subject matter of the study of
- ✓ management. Thus, it covers the entire range of human activities in organization

### **2.3. 7. Management Science Approach to Management**

The Management Science Approach applies mathematical and statistical techniques to decision-making, using sophisticated models to optimize managerial outcomes. Originating during World War II, when military and production challenges became too complex for traditional management methods, this approach emphasizes the use of mathematical models to represent and solve management problems. Key features of this approach include:

- ✓ Management is seen as a problem-solving process, supported by mathematical tools and techniques.
- ✓ Managerial problems can be expressed in quantitative terms using mathematical symbols and data.
- ✓ It incorporates decision-making, system analysis, and aspects of human behavior.
- ✓ Techniques such as operations research, mathematical modeling, and simulation are central to solving managerial challenges.

### **2.3. 8. Human Behavioural Approach to Management**

The Human Behavioral Approach is an evolution of the Human Relations Approach, focusing on the individual's role in job performance. Unlike the emotional emphasis in Human Relations, this approach concentrates on the human aspects of management, aiming to synchronize group goals within the

broader framework of organizational objectives. It emerged as a response to the neglect of human factors in favor of machines and materials.

Key contributors to this approach include sociologists like Blak, Selznick, and Katz, and psychologists such as McGregor, Herzberg, and Maslow. Key principles of the Human Behavioral Approach are:

- ✓ People do not inherently dislike work; they seek to achieve objectives they've helped set.
- ✓ Most individuals can exercise more self-direction than their current roles require, indicating untapped potential.
- ✓ Managers' primary role is to harness this untapped human potential.
- ✓ Creating a healthy work environment is essential for optimal employee contribution.
- ✓ Managers should foster self-direction and encourage full participation in decision-making.
- ✓ Improving operating efficiency involves expanding the influence and self-control of subordinates.
- ✓ Job satisfaction can increase as employees utilize their full potential.

**Merits of Behavioural Approach**

The Human Behavioral Approach highlighted the crucial role of the human element in organizations, emphasizing leadership quality, individual psychology, and group behavior as key factors in organizational effectiveness. However, it has some shortcomings:

- ✓ It prioritizes empirical observation over theoretical foundations, leading to a lack of theoretical depth.
- ✓ The economic aspects of job satisfaction are largely overlooked.
- ✓ The approach tends to focus on group dynamics, often neglecting individual needs and perspectives.

**Distinction between human relations and behavioural approach**

| Human Relations Approach   | Behavioral Sciences Approach                 |
|--|--|
| Emphasizes the individual, focusing on their needs and behavior. | Focuses on groups and group behavior.        |
| Concentrates on interpersonal relationships.                     | Focuses on group relationships and dynamics. |
| Based on the Hawthorne   | Expands on the Human Relations approach,     |

|   |  |
|---|--|
| Experiments, with a limited scope.                                  | providing a more systematic study of human behavior in organizations.                                |
| Pioneered by Elton Mayo and his associates.                         | Pioneered by Feith Davis, Rensis Likert, and others.   |
| Focuses on informal group motivation, job satisfaction, and morale. | Studies group dynamics, informal organization, leadership, motivation, and participative management. |

### 2.3. 9. Mathematics or Quantitative Approach to Management

The Mathematics or Quantitative Approach to management emphasizes that organizational decision-making is a logical process, which can be represented through mathematical symbols and relationships to solve problems and conduct corporate affairs. This approach integrates knowledge from various disciplines like Operations Research and Management Science to provide effective solutions. It focuses on analysis and decision-making fundamentals, with an emphasis on generating, testing, and optimizing solutions. Unlike the Human Behavioral Approach, which emphasizes decisions that are "satisfying," this approach aims for "optimal" decisions. Key principles of the Quantitative Approach include:

- ✓ Management is a process of decision-making, with the goal of securing the best solution from interrelated variables.
- ✓ These variables are represented through mathematical models, consisting of functional equations that describe their quantitative interrelationships.
- ✓ If the model is correctly formulated and equations solved, the best solution is derived.
- ✓ Organizations aim to achieve specific, measurable economic goals.
- ✓ Optimal decisions are made through scientific reasoning and quantification to achieve these goals.
- ✓ Decision-making models should be evaluated based on criteria such as cost reduction, return on investment, and meeting time schedules.
- ✓ The quality of management is judged by the quality of decisions made in various situations

#### Difference between Quantitative Approach and Scientific Management Approach

| Aspect                 | Quantitative Approach  | Scientific Management   |
|------------------------|--|---|
| <b>Techniques Used</b> | Makes use of mathematical and statistical techniques.                          | Uses scientific methods and principles for management.                                      |
| <b>Focus</b>           | Focuses on finding optimal solutions to managerial problems (decision-making). | Focuses on improving the efficiency of workers and machines (one best way of doing things). |
| <b>Main Techniques</b> | Operations research is the primary technique.                                  | Time and motion studies are the main techniques.  |
| <b>Developed by</b>    | Developed by W. C. Churchman and others.                                       | Launched by F. W. Taylor and his associates.  |

|                    |  |   |
|--------------------|--|---|
| <b>Application</b> | Application of econometric models and optimization techniques. | Application of experiments and research in industrial settings. |
|--------------------|--|---|

The Quantitative Approach is more focused on the mathematical and statistical modeling to solve managerial problems, while Scientific Management is more focused on the efficiency of workers through empirical studies and optimized work processes.

### 2.3.10. System Approach to Management

The System Approach to management, emerging in the 1960s, sought to unify previous schools of thought by viewing the organization as a whole rather than focusing on individual components in isolation. Here's a breakdown of its basic postulates:

- Organization as a System: An organization is viewed as a system made up of multiple subsystems (e.g., production, sales, and other departments). These subsystems interact and are interdependent, contributing to the overall functioning of the organization.
- Interdependence of Subsystems: The function of each subsystem cannot be understood in isolation. It must be analyzed in relation to other subsystems and the organization as a whole. This emphasizes the interconnectedness of all parts of the organization.
- Dynamic Nature of the Organization: Organizations are dynamic systems that are responsive to changes in their environment. They are sensitive to external factors, and these changes can affect the functioning of the entire organization.

The System Approach helps managers recognize the complexity of organizational functions and encourages a holistic perspective on problem-solving, planning, and decision-making. It emphasizes that actions taken in one part of the organization can have ripple effects on other parts, highlighting the need for integrated decision-making.

### 2.3.11 Contingency or Situational Approach to Management

The Contingency (or Situational) Approach to Management emerged as a response to the limitations of the earlier approaches like the Quantitative, Behavioural, and System approaches. This approach was primarily propagated by Pigors and Myers in the 1950s, with other notable contributors such as Joan Woodward, Tom Burns, G.W. Stalker, Paul Lawrence, Jay Lorsch, and James Thompson.

#### Core Ideas of the Contingency Approach:

- Management is Situational: The approach emphasizes that there is no one-size-fits-all method for managing organizations. Different situations require different management actions. Managers must adapt their strategies based on specific circumstances.
- Environmental Harmony: Managers must align the internal functioning of the organization with both the needs of its members and the external environment. This includes recognizing external forces, market

conditions, and other external variables that may influence decision-making and management actions.

- **Contextual Decision Making:** The effectiveness of any management action or technique depends on the specific situation or context. What works in one situation may not work in another. Therefore, management must tailor its strategies and practices to fit the specific needs of the organization and the external environment at any given time.

### **Key Features:**

- **Situational Nature of Management:** There is no universal solution to management issues. Management must respond to the specific conditions of each situation.
- **External Environment Influence:** Management actions should be influenced by external factors, meaning that decisions must be made in response to environmental changes, rather than applying fixed, universal principles.
- **No One Best Way:** The contingency approach recognizes that different situations require different approaches and management styles. It challenges the idea of "one best way" to manage and instead promotes flexibility and adaptability.

### **Steps in Applying the Contingency Approach:**

To effectively apply this approach, managers can follow these steps:

1. **Analyze and Understand the Situation:** Understand the specifics of the environment and internal context.
2. **Examine the Applicability of Techniques:** Determine which management principles or techniques are valid for the situation at hand.
3. **Make the Right Choice:** Select the appropriate techniques or solutions based on the context.
4. **Implement the Decision:** Put the chosen strategy into action and monitor its outcomes.

### **Framework:**

The approach can be visualized as an “if-then” model:

- If a certain environmental or internal situation exists, then management must choose and apply appropriate actions to address that situation.
- This approach has been particularly useful in areas like organization design, leadership, behavior change, and operations, offering a more flexible and adaptive framework for decision-making in complex environments.

## Comparison between Systems Approach and Contingency Approach

| Aspect  | Systems Approach   | Contingency Approach   |
|---|--|--|
| <b>1. Organizational Generalization</b>       | Treats all organizations alike, irrespective of their size, cultural settings, and dynamics. | Treats each organization as a unique entity, acknowledging its specific context and environment.                 |
| <b>2. Focus</b>                               | Stresses interactions and subsystems within the organization.                                | Identifies the exact nature of interdependencies and their impact on organizational design and managerial style. |
| <b>3. Level of Study</b>                      | Studies the organization at an abstract, philosophical level.                                | More down-to-earth, focusing on practical, action-oriented solutions.  |
| <b>4. Application of Classical Principles</b> | Neutral or non-committal on the validity of classical principles of management.              | Rejects the blind application of principles, emphasizing their relevance based on individual situations.         |
| <b>5. Organizational Synergy</b>              | Stresses the synergetic effect of organizations and external inputs.                         | Focuses on the relationship between organizational structure and design with the external environment.           |
| <b>6. Approach Complexity</b>                 | Vague and complex, requiring a holistic and systemic understanding.                          | Pragmatic and action-oriented, focusing on practical application and problem-solving.                            |

### 3.4 Managers and Environment

#### Interaction between Organizations and Their Environment

Just like human beings, organizations are products of their environment. They depend on inputs from the environment, which are then transformed into outputs that are sent back to the environment. This cycle represents a continuous two-way interaction.

#### Open System Nature of Organizations

A business organization is considered an **open system** because it is influenced by external factors (the environment) and, at the same time, it can influence the environment. This dynamic interaction is crucial for understanding how businesses function and adapt.

#### Components of the Business Environment

The environment of a business is divided into **two major components**:

- 1. Internal Environment:** This consists of the systems and elements within the organization, including technology, structure, processes, and people. While these elements are vital to the functioning of the organization, they are often covered in detail in other areas of study, so they won't be explored in-depth here.

2. **External Environment:** This refers to the factors outside the organization that can affect its operations and survival. The external environment includes:

**Economic Factors:** Market trends, inflation, interest rates, etc.

- ✓ **Political and Legal Factors:** Government policies, regulations, and legal frameworks.
- ✓ **Socio-Cultural Factors:** Demographics, social trends, values, and cultural changes.
- ✓ **Technological Factors:** Advancements in technology and their impact on operations.
- ✓ **Competitive Environment:** The nature and intensity of competition in the industry.
- ✓ **Natural Environment:** Ecological factors, sustainability concerns, and natural resource availability.

This distinction between the internal and external environment is crucial for understanding how an organization must adapt and respond to the forces and influences outside of its control while maintaining effective internal operations.

## 2. 5.Importance of the Environment

In the late 1950s, management thought began to evolve with the recognition of the importance of considering external forces. This shift was one of the significant contributions of the **systems approach**, which highlighted the need for managers to view their organizations as interconnected systems that interact with the external environment. In today's dynamic and rapidly changing business environment, the need to consider these external factors is more critical than ever.

### Challenges of the External Environment

As Alvar Elbing pointed out, the external environment of an organization presents increasing challenges for today's managers. These challenges include fluctuations in market conditions, changes in government policies, social shifts, and technological advancements. Even when changes are not dramatic, organizations remain dependent on external resources, such as:

- ✓ **Supplies:** Raw materials, products, and services needed for operations.
- ✓ **Energy:** The resources required for production processes.
- ✓ **Workforce:** Employees with the necessary skills to contribute to organizational success.
- ✓ **Customers:** The individuals or businesses who purchase goods and services.

Since these external factors can directly impact an organization's survival, management must actively identify these factors and find ways to respond to them effectively.

### **Organizations as Living Systems**

In many ways, organizations are akin to **biological organisms**. Drawing a parallel with **Charles Darwin's theory of evolution**, organizations that survive and thrive are those that can adapt to changes in their environment. Just as species evolve to fit changing ecological niches, businesses must adjust their strategies, processes, and operations to meet external challenges and opportunities.

Organizations must remain flexible, constantly scanning and responding to changes in their external environment to stay competitive and sustainable. This adaptive ability is essential for long-term success and survival.

## **2.6 Direct Action versus Indirect Environment**

The external environment affecting an organization can be divided into two main categories:

1. **Direct Action Environment:** These factors directly impact the organization's operations and are directly influenced by the organization. Examples include:
  - ✓ **Suppliers:** Provide the raw materials or services needed for production.
  - ✓ **Labor Unions:** Influence workforce conditions and negotiations.
  - ✓ **Laws:** Legal regulations that impact business operations.
  - ✓ **Customers:** Directly affect sales and revenue.
  - ✓ **Competitors:** Influence market share, pricing, and strategic decisions.
  
2. **Indirect Action Environment:** These factors do not have an immediate direct impact on operations but still affect the organization. Examples include:
  - ✓ **Technology:** Advances that may affect production processes or product development.
  - ✓ **Socio-Cultural Factors:** Changes in societal values or cultural trends that influence consumer behavior.
  - ✓ **Political Factors:** Political stability or shifts in government policy that affect business regulations.
  - ✓ **Economic Conditions:** Broad economic trends like inflation or recession that influence business strategies.

These two environments shape an organization's strategic decisions, and managers must be aware of both to adapt and thrive in a dynamic business landscape.

### **Direct Action Environment**

These are the external factors that directly influence an organization's operations and are directly affected by the organization:

1. **Suppliers:** Organizations depend on suppliers for materials, equipment, energy, labor, and capital. If the organization fails to obtain the right quality, quantity, and price of inputs, it will not be able to achieve its goals.
2. **Laws:** Every business is influenced by various laws, such as:
  - ✓ Companies Act
  - ✓ Industrial Disputes Act
  - ✓ Workmen's Compensation ActThese laws govern the functioning of businesses and ensure they comply with legal standards and societal expectations.
3. **Customers:** The purpose of any business is to satisfy customer needs. The market and customer demands dictate the success or failure of a business. Companies must constantly adapt to changing customer preferences to remain competitive.
4. **Competitors:** In a competitive environment, companies' strategies are often influenced by the actions of their competitors. Competition forces organizations to innovate, improve customer service, and adjust their practices.

### **Indirect Action Environment**

This environment is more complex and uncertain and includes factors that influence the organization but don't have an immediate direct effect.

1. **Technology:** Technological changes influence the ways products are manufactured and sold. New technologies can make existing products obsolete and introduce new opportunities. Businesses must stay current with technological advances to remain competitive.
2. **Economic Conditions:** The broader economic environment, including factors like GDP, inflation, and employment rates, affects businesses. Companies must be able to adapt to economic downturns or booms. Recessionary periods demand efficient operations and cost-cutting, while an economic upswing offers growth opportunities.
3. **Socio-Cultural Factors:** Organizations are influenced by the values, beliefs, and cultural norms of the society they operate in. Businesses that

understand and adapt to cultural differences are more likely to succeed. Products must align with societal values to be accepted.

4. **Political Environment:** Government policies significantly affect businesses. These policies can influence business operations, market access, and regulations. Political stability is crucial for business growth. In some countries, government support has played a key role in helping local businesses become internationally competitive.

## 2.7. Let us sum up

The study of organization and management is essential to understanding the core principles of management. The analysis shows that management thought has evolved from the diverse contributions of several thinkers and practitioners. Each approach discussed is an extension of the previous one, with the best management theory emerging as a composite of these various contributions.

The evolving trends and developments in management are influencing new demands on managers, particularly in India. Some of the key challenges and changes expected in the future include:

- ✓ **Government Intervention:** There is a growing role of the government in trade, industry, and commerce, with the influence of political considerations on trade union movements.
- ✓ **Consumer Awareness:** Organizations are witnessing a greater consciousness and growth of consumer organizations, influencing business practices and demands.
- ✓ **High-Cost Economy:** The rise of high-cost economies is driving the expansion of the services sector, including public sector and utility services.
- ✓ **Global Competition:** The growth of industry and stiff competition from foreign goods, along with the rise of multinational corporations, is a result of liberalized industrial policies.
- ✓ **Technological Advancements:** Rapid technological advancements are influencing management practices, and staying current with technology is crucial for organizations.
- ✓ **Management Information Systems:** The increasing utilization of information as an input and the widespread adoption of Management Information Systems (MIS) will further enhance decision-making processes.
- ✓ **Employee Participation:** There is a growing demand for subordinates' participation in the decision-making process, highlighting the need for properly trained and educated management personnel.

- ✓ **Social Responsibility:** The rising awareness of social responsibility, particularly in preventing environmental pollution, poses a challenge that organizations and the government must address.

### Approaches and Contributions to Management

| Approach                           | Main Contributions  | Main Contributors  | Environment at That Time   |
|------------------------------------|---|--|--|
| <b>Classical Approach</b>          | <ul style="list-style-type: none"> <li>- Scientific Management</li> <li>- Management Functions</li> <li>- Administrative Theory</li> <li>- Bureaucracy</li> </ul>   | <ul style="list-style-type: none"> <li>- F.W. Taylor</li> <li>- Frank Gilberth</li> <li>- H. Emerson</li> <li>- Henry L. Gantt</li> <li>- L.F. Urwick</li> <li>- Mooney and Reiley</li> <li>- R.C. Davis</li> <li>- Max Weber</li> </ul> | <ul style="list-style-type: none"> <li>- Expanding size of organizations</li> <li>- Growing market</li> <li>- Post-Industrial Revolution</li> <li>- Decline of owner/manager</li> <li>- Rise of professional managers</li> </ul> |
| <b>Behavioral Approach</b>         | <ul style="list-style-type: none"> <li>- Human Relations</li> <li>- Hawthorne Experiments</li> <li>- Participation</li> <li>- MBO (Management by Objectives)</li> <li>- Organizational Behavior</li> </ul>                                      | <ul style="list-style-type: none"> <li>- F.G. Roethlisberger</li> <li>- Elton Mayo</li> <li>- D. McGregor</li> <li>- P.F. Drucker</li> <li>- C.L. Barnard</li> </ul>   | <ul style="list-style-type: none"> <li>- World War-II</li> <li>- Unionization</li> <li>- Need for trained managers</li> <li>- Government regulation</li> <li>- Labour unrest</li> </ul>  |
| <b>Management Science Approach</b> | <ul style="list-style-type: none"> <li>- Operations Research</li> <li>- Simulation</li> <li>- Game Theory</li> <li>- Decision Theory</li> <li>- Mathematical Models</li> </ul>  | <ul style="list-style-type: none"> <li>- W.C. Churchman</li> <li>- J.C. March</li> <li>- Forrester</li> <li>- H.A. Simon</li> <li>- Raiffa</li> </ul>  | <ul style="list-style-type: none"> <li>- World War-II</li> <li>- Unionization</li> <li>- Need for trained managers</li> <li>- Government regulation</li> <li>- Labour unrest</li> </ul>  |
| <b>System Approach</b>             | <ul style="list-style-type: none"> <li>- Open System</li> <li>- Closed System</li> <li>- Socio-technical system</li> <li>- Supra System</li> <li>- System Interface Mechanism</li> </ul>  | <ul style="list-style-type: none"> <li>- E.L. Trist</li> <li>- A.K. Rice</li> <li>- F.E. Kast</li> <li>- J.E. Rosenzweig</li> <li>- R.A. Johnson</li> <li>- K. Boulding</li> <li>- D. Katz</li> <li>- R.L. Khan</li> </ul>               | <ul style="list-style-type: none"> <li>- Turbulency</li> <li>- Information technology</li> <li>- Robotics</li> <li>- Pollution problem</li> </ul>  |
| <b>Contingency Approach</b>        | <ul style="list-style-type: none"> <li>- Dynamic Environment</li> <li>- Organic Mechanism</li> <li>- Technology</li> <li>- Matrix Design and Social Responsibilities</li> <li>- Organizational Change</li> <li>- Information Systems</li> </ul> | <ul style="list-style-type: none"> <li>- Burns and Stalker</li> <li>- John Woodward</li> <li>- Thompson</li> <li>- P.R. Lawrence</li> <li>- J.A. Lorsch</li> </ul>   | <ul style="list-style-type: none"> <li>- Space race</li> <li>- Expanding economy</li> <li>- High technology</li> <li>- Global trade</li> <li>- Social contentment</li> <li>- Rise of skilled professionals</li> </ul>            |

## **2.8 SUGGESTED READINGS**

1. Kootnz & O'Donnell, Principles of Management.
2. Peter F. Drucker, Practice of Management
3. J.S. Chandan, Management Concepts and Strategies.
4. Arun Kumar & Rachana Sharma, Principles of Business Management.

# Planning

## STRUCTURE

- 3.1 Introduction
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- 3.9 SUGGESTED READINGS

### 3.1 Introduction

Planning plays a fundamental role in shaping the direction and success of our lives. It provides structure, clarity, and purpose to our actions, helping us make thoughtful decisions and avoid aimless efforts. From everyday tasks to major life goals, planning acts as a guiding force that turns intentions into reality. In both personal and professional contexts, the ability to plan effectively is a key element of progress and achievement.

Planning is essential in all aspects of life. Every individual must create a plan to move forward with their goals and endeavors. Whether a person is involved in business or not, they have likely developed many plans throughout different stages of life. The duration of these plans may vary—some are short-term, others long-term. As historian Arnold Toynbee stated, “One of the characteristics of being human is that he makes plans.”

Planning is considered the primary and most fundamental function of management. Renowned scholars agree that planning comes before all other managerial tasks. Effective planning plays a crucial role in achieving goals promptly, and its success largely depends on the planner’s capability. A planner is someone who designs a course of action to implement their ideas and strategies. Their effectiveness can be enhanced by preparing for future changes and challenges. At every level of management, planning remains a vital function. It involves determining in advance the actions needed to reach specific goals—deciding what needs to be done, how it should be done, when it should be done, and who will do it. Essentially, it is the process of thinking ahead before taking action.

Planning becomes essential due to the need for business organizations to operate, adapt, and grow within a constantly evolving economic environment, where change is the norm rather than the exception. These changes can be rapid and significant or gradual and barely noticeable. Key drivers of such change include advancements in technology, shifts in population and income distribution, and evolving consumer preferences.

Changes in competition, government policies and other external factors often present companies with a wide range of challenges. These changes often occur unexpectedly, requiring managers to quickly adjust their plans either to take advantage of new opportunities or to minimize the negative effects of possible threats. Skilled managers aim to anticipate such issues before they lead to serious problems. Organizational planning is carried out primarily to obtain

preventive benefits—both by avoiding mistakes in decision-making and by increasing the chances of reaching business goals. Without proactive management, companies risk falling behind in the competitive landscape. A vivid example of this is how Nerma, a small detergent manufacturer, managed to disrupt the dominance of the surf market-produced by the large multinational.

## 3.2 Objectives

After completing this lesson, you will be able to:

Identify and explain the various types, benefits, and limitations of planning

Discuss the techniques and stages involved in effective decision-

Describe the steps involved in the planning process

Understand the meaning and key characteristics of planning

## 3.3 Planning

### 3.3.1 Definitions of Planning

Planning is a thoughtful and intellectual process used to determine a course of action aimed at achieving an organization's predetermined goals in the future. Simply put, planning involves making decisions in advance about what needs to be done, when, where, how, and by whom. It serves as a bridge between the present situation and the desired future outcomes. This process involves choosing objectives, formulating policies, and establishing procedures to guide actions effectively.

The term "planning" carries a certain paradox in its meaning. For some, it is a broad and flexible concept that ranges from philosophical ideas to detailed, specific actions. They view it as a distinct activity. On the other hand others see planning as something so integral that it represents nearly everything a person does. The growing emphasis on planning has also led to the emergence of various types of planning, which has further contributed to the confusion surrounding its definition. Some even mistakenly equate planning with decision-making. However, this is inaccurate. While decision-making plays a crucial role within planning, the two are not the same. Decisions can be made in many areas beyond planning, making it only one component of the overall planning process.

Another confusion that arises in the concept of planning is the two words: planning and plan. Two words are similar but their meanings are different. There is fundamental difference between the two.

Planning is an activity. It can be considered as consisting of a process hence various sub-activities.

On the other hand, Plan is a commitment to a particular course of action believed necessary to achieve specific results. For example, Government of India prepares five-year plans which consist of various actions to be taken, results to be achieved, and resources to be used. These are plans. The plans are prepared through the planning process which involves taking various activities to arrive at what is to be achieved, how to be achieved, and when to be achieved. Therefore, planning is taken as a process.

Planning can be defined as a rational and systematic process that involves gathering and analyzing relevant facts, making informed assumptions about the future, and visualizing as well as structuring proposed actions. These actions are considered essential for achieving the desired outcomes. In essence, planning is not based on guesswork, but on thoughtful forecasting and careful preparation aimed at ensuring success.

In planning, the manager relies Based on the existing facts, logical assumptions and limitations to visualize and identify the necessary actions, determine how to implement them, evaluate how they contribute to achieving the desired goals. McFarland views planning as a dynamic process that is shaped by an ever-changing environment. He emphasizes that planning involves not only anticipating change but also influencing and controlling its direction. According to him and him, planning is widely defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change.

Here are some definitions of planning by well-known thinkers and management scholars:

|                               |   |
|-------------------------------|---|
| <b>Theo Haimann</b>           | “Planning is deciding in advance what is to be done. When a manager plans, he projects a course of action for further attempting to achieve a consistent co-ordinate structure of operations aimed at the desired results.” |
| <b>Billy E. Goetz,</b>        | Planning is fundamentally choosing and a planning problem arises when an alternative course of action is discovered.”   |
| <b>Koontz and O’ Donnell,</b> | Planning is an intellectual process, conscious determination of course of action, the basing of decision on purpose, facts and considered estimates.”   |
| <b>L.A. Allen</b>             | A plan is a trap laid to capture the future.”   |

### 3.3.2 Objective of Planning

Planning in any organization serves to realise the following objectives:

#### **Reduces uncertainty**

Future is an uncertainty. Planning may convert the uncertainty into certainty. This is possible to some extent by, planning which is necessary to reduce uncertainty.

#### **Brings cooperation and coordination**

Planning promotes cooperation and coordination between different departments of the organization. By setting clear goals and defining responsibilities in advance, planning helps to minimize rivalries and conflicts between departments.

#### **. Economy in operation**

As already pointed out, planning selects best alternatives among various available alternatives. This will lead to the best utilisation of resources. The objectives of the organization are achieved easily.

### 3.3.3 Features and Nature of Planning

The following are the characteristics of planning:

- **Planning is forward-looking** It focuses on anticipating future conditions and preparing accordingly.
- **It involves a predetermined course of action** Planning outlines what needs to be done and sets a clear path to follow.
- **It identifies the best alternative** Out of various possible options, planning helps in selecting the most effective and feasible one.
- **It requires time for execution** Effective planning is not instantaneous—it involves analysis, preparation, and a timeframe for implementation.
- **It is a continuous process** Planning does not stop; it evolves with changing circumstances and organizational needs.
- **It aims at achieving defined goals more effectively** The main purpose of planning is to attain set objectives in an efficient and organized manner.
- **It integrates organizational activities** Planning ensures that all departments and functions are aligned and working in harmony.

#### **Nature of planning**

There are number of ways available to complete a certain job. Planning chooses any one of the best alternatives out of the available ones. Economy and certainty are considered while selecting the best alternative. Thus, the nature of planning is briefly discussed below:

|  | <b>Explain</b>  |
|--|---|
| <b>Primary of planning</b>                   | The functions of management typically include planning, organizing, staffing, directing, and controlling. While some scholars may propose additional functions or modify the existing ones, there is a general consensus that <b>planning is the primary and foundational function</b> among them all. This is because every managerial action begins with a clear sense of direction, and planning provides that direction. It enables managers to pursue predetermined objectives in the most effective and efficient way possible, laying the groundwork for all subsequent managerial activities. |
| <b>Planning Contributes to Objectives</b>    | There is a strong and direct relationship between planning and objectives. Objectives form the foundation of planning, guiding the direction and purpose of all planning activities. Without a clear link to specific objectives, planning becomes merely a theoretical exercise with no practical value. Effective planning is always goal-oriented, and it plays a vital role in achieving the desired outcomes by providing a structured path toward those objectives.   |
| <b>Planning results in higher efficiency</b> | Planning efficiency is measured in terms of input and output ratios. Planning leads to maximum output with minimum expenditure. This input and output relationship is not only determined by money, labour hours and production units but also by the degree of satisfaction available to the individual as well as the group. The high degree of human satisfaction motivates the workers to produce more within the specified time.   |
| <b>Getting co-ordination</b>                 | Planning plays a crucial role in coordinating various business activities. Without a clear plan, it becomes difficult to align the efforts of different departments or functions within the organization. Planning ensures that all activities are coordinated and directed towards common goals  |
| <b>Considering Limiting Factors</b>          | Each plan is developed with careful consideration of limiting factors, which are constraints that can affect the execution of the plan. These limiting factors may include financial resources, availability of skilled labor, quality of materials, and the condition or capacity of plant and machinery. A successful plan takes these limitations into account and seeks to work within or around them to achieve the desired outcomes efficiently.  |

### 3.3.4 Importance of Planning

The importance of planning is represented by the following points:

- **Better Utilization of Resources:** Planning determines what needs to be produced and how it should be produced. This careful decision-making allows for the efficient use of resources, minimizing waste and maximizing productivity.
- **Helps in Achieving Objectives:** Planning involves setting clear goals or objectives for the organization. This provides a focused direction for managing and motivating employees, ensuring that everyone is working towards the same end. In this way, planning plays a crucial role in helping the organization achieve its predetermined goals or objectives.
- **Economy in Operation:** Through effective planning, unnecessary production, wasteful use of resources, and redundant activities are eliminated. This streamlined approach leads to greater efficiency and cost savings, resulting in an overall economy of operations.

- **Develops Rationality Among Management Executives** Formal planning encourages disciplined and structured thinking among management executives. Before taking any action, they are required to clearly outline their thoughts in the form of a plan. This process promotes rational decision-making and a logical approach to problem-solving.
- **Prevents Hasty Judgment:** Planning allows for thorough analysis of problems and consideration of various alternatives before making decisions. By outlining actions in advance—what will be done and how—it helps managers avoid impulsive or poorly thought-out decisions.
- **Reduces Red-Tapism:** With pre-established plans in place, junior executives can proceed with their tasks without constantly seeking fresh approvals. This streamlines decision-making, saves time and resources, and significantly reduces bureaucratic delays or red-tapism within the organization
- **Development of efficient methods** Planning helps the management develops efficient methods and procedures of action.
- **Anticipation of crisis** Careful planning will avoid the crisis which is likely to occur. In this way, management can reduce the internal organisational disturbances.

Planned action is always more effective, as it enables outcomes that may not occur without foresight and preparation. A business operating without a plan is like a ship without a rudder—directionless and vulnerable to failure. When actions are not planned in advance, decisions are made randomly, often leading to the inefficient use of both human and material resources. Without planning, an organization lacks focus and purpose. As the saying goes, "*Planning today avoids crisis tomorrow*," highlighting that planning is essential for stability, efficiency, and long-term success. Organizations that proactively think ahead and engage in future-oriented planning are more likely to succeed than those that do not. Forward-thinking enables a company to anticipate opportunities, prepare for challenges, and stay ahead in a competitive environment. For instance, Reliance Industries Limited has witnessed remarkable growth in a relatively short span due to its strategic planning and timely execution of new projects. Specifically, planning contributes in the following ways:

- ✓ **Provides Direction** – It sets clear goals and outlines how to achieve them, ensuring all efforts are aligned.
- ✓ **Reduces Uncertainty** – By anticipating future events, planning helps minimize risks and prepares the organization to handle uncertainties.

- ✓ **Encourages Innovation and Growth** – It allows organizations to explore new ideas, launch new projects, and expand into new markets.
- ✓ **Improves Decision-Making** – Planning provides a structured framework for evaluating options and making informed choices.
- ✓ **Enhances Efficiency** – By coordinating resources and activities, planning helps avoid duplication and ensures optimal use of time and effort.

### 3.4 Process of Planning

**To Focus Attention on Objectives:** Planning directs focus toward organizational objectives and defines the course of action to achieve them. Sometimes, people within the organization may lack clarity about these objectives due to vague or imprecise definitions. For instance, profit is often cited as a primary goal of a business organization, but this concept can be too abstract to guide concrete action. Through planning, such objectives are translated into specific, measurable targets. This clarity enables managers to take effective action. For example, if profit is the objective, planning will determine how much profit should be earned, considering both opportunities and constraints.

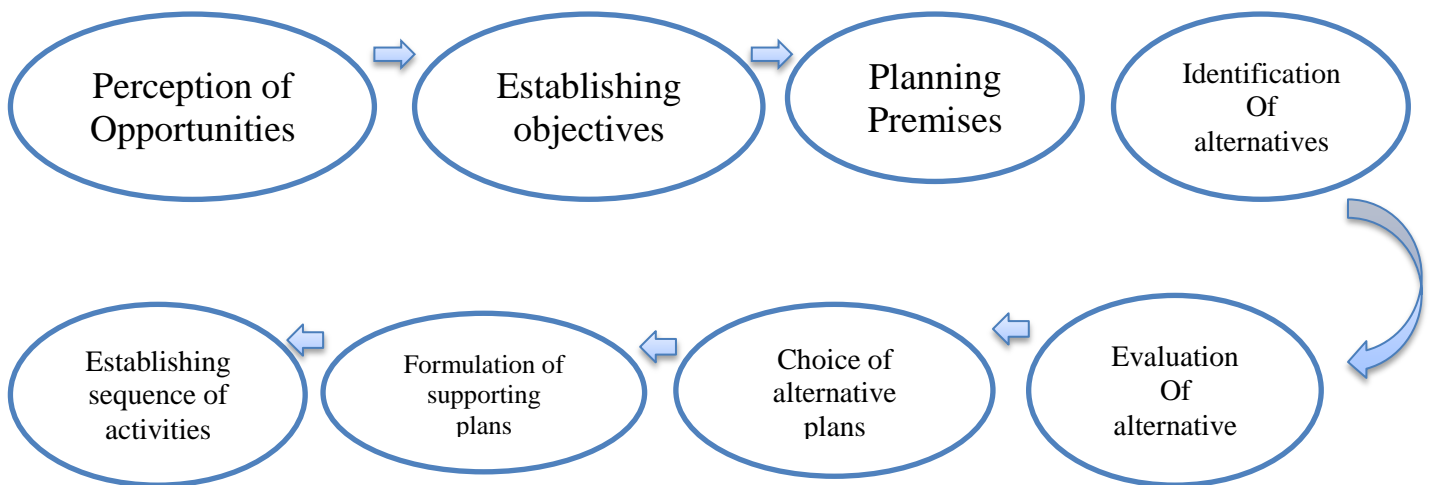
**To Help in Control :**Planning sets the standards against which actual performance is measured. It allows for continuous monitoring and timely corrective actions to ensure goals are achieved as intended

**To Help in Coordination:** While all management functions contribute to coordination, it truly begins with planning. A well-developed overall plan aligns departmental activities and ensures they work harmoniously within the broader organizational goals.

### PROCESS OF PLANNING

Planning refers to the process of setting objectives and identifying the actions required to achieve them. While the specific steps in the planning process may vary depending on the size and complexity of the organization, the overall process can generally be broken down into the following key steps:

## Basic Model of Planning Process



### Explanation of the elements of the scheme:

**Perception of Opportunities :** not a formal step in the planning process, recognizing opportunities is essential as it initiates planning. It involves identifying potential opportunities, understanding organizational goals, and evaluating possible gains. This early stage helps align objectives with the external environment by taking advantage of opportunities and avoiding threats. Once opportunities are identified, the planning process moves forward.

**Establishing Objectives:** In this stage, the organization sets its main goals and the goals of its units. Objectives define the desired outcomes, guide planning efforts, and highlight key areas of focus. These areas—known as key result areas (KRAs)—are critical to achieving the organization's mission, such as profitability, sales, or R&D. Objectives are established in a hierarchical structure, where overall goals guide departmental and sub-departmental objectives, ensuring alignment across the organization.

**Planning Premises:** Once objectives are set, the next step is to establish planning premises—assumptions about future internal and external conditions. External premises include factors like political, social, technological changes, competitor actions, and government policies. Internal premises relate to the organization's capabilities and resources. Consistent understanding of these premises among planners ensures coordinated planning. Forecasting plays a key role in developing these premises. The focus of planning premises varies by level: top management emphasizes external factors, while lower levels consider

both internal and external factors. Additionally, higher-level plans serve as premises for lower-level planning.

**Identification of Alternatives:** After setting objectives and planning premises, organizations identify various alternative ways to achieve their goals. A single objective can often be reached through multiple strategies, such as expanding current operations, diversifying, forming partnerships, or acquiring other companies. These alternatives are then narrowed down using preliminary criteria—like required investment, alignment with existing business, or regulatory constraints—to focus only on the most viable options for further analysis.

**Evaluation of Alternatives:** Feasible alternatives are assessed in detail to determine how well they align with organizational goals, available resources, and constraints. Each option may have strengths and weaknesses—some may be highly profitable but risky, while others are safer but less rewarding. Since future outcomes are uncertain, evaluation is complex and often requires advanced decision-making tools.

**Choice of Alternative:** After evaluation, the most suitable alternative is selected. If multiple options are equally viable, more than one may be chosen. Planners often prepare **contingency plans**—backup strategies to be used if the situation changes—ensuring flexibility in uncertain conditions.

**Formulation of Supporting Plans:** Once the main plan is developed, additional **supporting (derivative) plans** are created to ensure its successful implementation. These may include plans for purchasing raw materials, hiring and training staff, or developing new products. All supporting plans are aligned with and derived from the main plan to reinforce its objectives.

**Establishing Sequence of Activities.** After formulating basic and derivative plans, the sequence of activities is determined so that plans are put into action. Based on plans at various levels, it can be decided who will do what and at what time. Budget for various periods can be prepared to give plans more concrete and meaningful implementation.

### 3.5 Types of Planning

While the basic steps of the planning process remain consistent, organizations may approach planning in different ways. These differences can be based on factors such as the scope of organizational activities, the significance of content, time horizons, the approach to planning, and the level of formality in the planning process, as illustrated in Table

**TABLE : Types of planning**

|    | <b>Dimensions</b>       | <b>Types of planning</b>                    |
|----|-------------------------|---|
| 01 | Coverage of activities  | Corporate and functional planning           |
| 02 | Importance of contents  | Strategic and tactical/operational planning |
| 03 | Time period involved    | Long-term and short-term planning           |
| 04 | Approach adopted        | Proactive and reactive planning             |
| 05 | Degree of formalisation | Formal and informal planning                |

The classification of planning is not mutually exclusive but iterative. For example, strategic and tactical planning can be done using either a proactive or reactive approach, or in a formal or informal manner. The key difference in each classification lies in the emphasis placed on various aspects of the planning process

#### **Interpretation of table elements**

##### **1. Corporate and Functional Planning:**

**Corporate Planning:** Corporate planning refers to planning at the top organizational level, covering all activities of the organization. It focuses on setting long-term objectives and creating plans to achieve them, considering potential environmental changes. Corporate planning is often seen as synonymous with long-term or strategic planning. According to David Hussey, corporate planning includes setting objectives, organizing resources, motivating through the process, measuring performance, and developing people for better decision-making and progress awareness. While this definition is broad, corporate planning is primarily concerned with the planning process, not the overall management functions.

**Functional Planning:** Unlike corporate planning, which is integrative, **functional planning** is segmental and focuses on individual departments such as production, marketing, finance, and human resources. At a more detailed level, planning also occurs within sub-functions, like marketing sub-functions (e.g., sales, promotions, research). Functional planning is derived from corporate

planning and must align with and contribute to corporate objectives by ensuring coordination and integration between the two

## **2. Strategic and Operational Planning:**

Corporate planning can be divided into **strategic** and **operational (tactical)** planning based on the focus of actions.

### **- Strategic Planning:**

Strategic planning sets the long-term direction for the organization. It involves deciding on objectives, resources, policies, and their management to achieve goals. Examples include setting growth targets, diversifying business, or deciding on product offerings. Strategic planning takes into account economic, political, technological, and social factors and aligns the organization with its environment. It usually spans 3 to 5 years, based on the **commitment principle**, which ensures the plan's time frame allows for the fulfillment of decisions made today.

### **- Operational Planning:**

Operational planning, also called tactical or short-term planning, typically spans about one year. It focuses on maintaining the organization's current production and distribution processes for existing products or services in the existing markets. Operational planning involves determining the most effective use of allocated resources and developing control mechanisms to ensure that actions are executed efficiently, leading to the achievement of organizational objectives.

## **Difference between Strategic and Operational Planning**

Apart from the period of time involved in strategic and operational planning, there are certain differences between the two. The major differences between the two can be identified as follows:

### **▪ Range of Choice:**

Strategic planning focuses on broad decisions regarding the direction of the organization and the allocation of resources over a specified future period. It sets the framework for the organization's long-term objectives. **Operational planning**, on the other hand, focuses on detailed actions and processes that support strategic goals, ensuring progress toward achieving those objectives.

### **▪ Type of Environment:**

Strategic planning is concerned with the **external environment**, aligning the organization with factors like market conditions, competition, and economic trends. It encompasses all functional areas. **Operational planning** primarily focuses on the **internal environment**, optimizing the use of resources to ensure the organization's operations run efficiently.

▪ **Primacy:**

**Strategic planning** precedes **operational planning** as it defines the long-term goals and direction for the organization. Operational planning focuses on short-term programs that implement these strategic goals step by step. Since operational planning works within the constraints of existing resources, it cannot bring about fundamental changes in the short term. Thus, strategic planning sets the boundaries within which operational planning can realistically occur.

▪ **Level of Formulation:**

**Strategic planning** is usually formulated by top management and specialized planning staff, who can take an overarching view of the organization and its relationship with the external environment. **Operational planning**, on the other hand, is carried out by operating managers and their teams at lower levels of the organization. Since these two types of planning are often done at different levels, there may be some incompatibility between them. To ensure better planning, it is crucial to integrate both types, as conflict between strategic and operational planning can hinder overall planning effectiveness.

Short-term plans should align with and support long-term plans, as they are stepping stones toward achieving long-term objectives. Managers must ensure short-term actions are evaluated in the context of long-term goals and communicate this alignment to subordinates. If short-term plans fulfill organizational goals but diverge from long-term plans, then long-term plans may need to be adjusted—highlighting the importance of flexibility in planning.

**Proactive and Reactive Planning:**

This classification is based on how an organization responds to changes in its environment.

- **Proactive planning** anticipates future changes and prepares in advance.
- **Reactive planning** responds only after changes have occurred. Planning as a process must consider these external dynamics since it operates within an open system.

**Formal and Informal Planning:** This classification depends on how structured the planning process is:

- **Formal planning** involves documented, systematic procedures.
- **Informal planning** is more spontaneous, flexible, and may not be written down, often relying on experience and intuition.

### **Adhoc and standing planning**

Ad-hoc planning committee may be constituted for certain specific matters, for instance, for project planning. But standing plans are designed to be used over and over again. They include organisational structure, standard procedures, standard methods, etc.

### **3. Long-term and short-term planning**

Planning involves different time horizons depending on the organization and its needs. Some areas require long-term planning, such as capital expenditure, while others, like production cycles, require shorter-term planning. The planning period is typically divided into **short-term** and **long-term**, but the ideal planning period varies based on factors like industry characteristics, market demand, resource availability, and product life cycles. The **commitment principle** suggests that long-range planning is about understanding the future impact of current decisions. For example, investments like machinery may require a long-term commitment (e.g., 10 years), while a small manufacturer with a shorter production cycle may only need short-term planning (e.g., 6 months).

### **3.6 Limitations of Planning**

Though planning function is a primary function of management and it facilitates other functions of management, it suffers from certain limitations.

| <b>Inflexibility</b>   | <b>Unsuitability</b>   | <b>Mental ability</b> |
|--|--|-----------------------|
| The more detailed and widespread the plans, the greater the degree of inertia in them. This inertia is caused by the management philosophy; if the management philosophy is based on | In planning, objectives, policies, and procedures are established after thoroughly analyzing all relevant factors. However, in reality, businesses constantly encounter new opportunities and challenges due to the dynamic nature of the environment. Therefore, there is a need to |                       |

|   |   |               |
|---|---|---------------|
| the production of high-quality goods at a high cost, it may be difficult for it to plan the production of goods of lower quality and lower cost | update or modify these predetermined objectives and policies to adapt to changing circumstances. As a result, planning may sometimes be seen as unsuitable or limited in rapidly changing conditions. |               |
| <b>Limitation of forecasts</b>  | <b>Time consuming</b>   | <b>Costly</b> |
| Planning is fully based on forecasts. If there is any defect in forecasts, the planning will lose its value.                                    | The management cannot prepare any plan simply. It has to collect various information and hold discussions with others. So, planning is a time-consuming process.                                      |               |

### 3.7 Decision Making

Decision making is the process of selecting the best option from among multiple alternatives to achieve specific objectives. It is a fundamental function of management, closely tied to planning, but also essential in organizing, directing, controlling, and staffing. Managers make decisions daily, ranging from minor to highly significant ones that may affect many employees, involve large expenditures, or have long-term impacts.

Effective decision making involves evaluating all possible options, understanding their pros and cons, and choosing the most suitable one. According to Stephen P. Robbins, it is the act of selecting a preferred course of action among alternatives.

#### Importance of Decision Making:

1. **Implementation of Managerial Functions:** All management activities rely on decision making for execution.
2. **Pervasiveness:** It occurs across all levels and areas of the organization, making it a universal aspect of managerial work.
3. **Performance Evaluation:** A manager's effectiveness can often be judged by the quality of their decisions.
4. **Aid in Planning and Policy Formation:** Plans and policies stem from a series of thoughtful decisions.

5. **Selection of Best Alternatives:** It ensures optimal outcomes by analyzing all available options.

**Business Success:** Sound decisions are crucial for the survival and growth of organizations in a competitive environment.

### 3.7.1 Techniques of Decision Making

Decision making is essential for a business's survival, often made with limited information. Business decision-making problems can be classified into two types: **deterministic** (based on known factors and stable conditions) and **probabilistic** (involving uncertainty and variability).

#### Deterministic Models

These models assume a clear relationship between variables and aim to optimize performance. However, if assumptions don't reflect current conditions, results may be inaccurate. Mathematical optimization uses equations to determine numerical decisions.

#### Optimization Modeling Process

The process has three steps:

1. **Problem Description**
2. **Solution Development**
3. **Problem Control**

Optimization problems include:

- An **objective function** to maximize or minimize
- A set of **variables** that influence the outcome
- A set of **parameters** or uncontrollable factors

A solution that satisfies all constraints is a **feasible solution**, and the goal is to find the **optimal solution**.

#### Linear Programming

A mathematical method used to allocate resources optimally:

- Objective and constraints must be linear

- The goal is to maximize or minimize an objective function
- When variables are whole numbers, it's called **integer programming**

### Decision Trees

Used in probabilistic models, decision trees incorporate **probabilities** to evaluate possible outcomes and guide decision making.

### Scenario Modeling

Since businesses operate in unpredictable environments, they use models like:

- **Scenario Analysis:** considers different future conditions
- **Worst Case Analysis:** plans for the most extreme outcomes
- **Monte Carlo Model:** uses statistical distributions to simulate uncertainty

### Theory of Constraints (TOC)

A strategy to improve organizational performance by focusing on removing one constraint at a time. The steps include:

1. Identifying the main constraint
2. Finding ways to use the constraint more efficiently
3. Exploiting the constraint to its full capacity
4. Addressing the next constraint once the current one is resolved

### 3.7.2 Process of Decision Making

Decision making in management is a structured and time-consuming process that involves several logical steps to ensure effectiveness. The process includes:

#### 1. **Identification of the Problem**

The first step involves recognizing and defining the actual problem—not just its symptoms (e.g., declining sales or profits). Proper problem identification is essential, as a well-defined problem is considered half-solved.

#### 2. **Analysis of the Problem**

Once the problem is identified, it should be thoroughly analyzed. This involves gathering relevant facts and understanding the complexity and nature of the issue.

#### 3. **Development of Alternative Solutions**

Multiple possible solutions are generated using experience, expert advice, and brainstorming. This step ensures that various paths are available for evaluation.

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

Each alternative is assessed based on factors like cost, risk, benefits, and feasibility. This helps determine which option offers the most advantages and the least drawbacks.

#### 5. **Selection of the Best Alternative**

After evaluation, the most suitable alternative is selected. Managers anticipate the consequences of each option to make an informed choice.

#### 6. **Implementation of the Chosen Alternative**

The selected solution is put into action. Successful decision-making depends heavily on effective implementation.

#### 7. **Review and Evaluation**

The final step involves monitoring and assessing the outcomes of the decision. This review helps measure effectiveness and informs future decisions.

### 3.8 MANAGEMENT BY OBJECTIVE

MBO is a collaborative process where superiors and subordinates jointly identify goals, define responsibilities, and use these objectives to guide operations and evaluate performance.

#### **Key Features of MBO:**

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

MBO emphasizes setting and planning specific goals for individual managers and their departments.

##### 2. **Joint Goal Setting:** The process involves active participation from both supervisors and subordinates in defining goals, promoting ownership and motivation.

##### 3. **Alignment with Organizational Objectives:** Individual goals are aligned with broader organizational objectives to ensure consistency and strategic focus.

##### 4. **Focus on Results:** MBO directs attention toward measurable outcomes and results rather than just activities or processes.

##### 5. **Facilitates Control and Evaluation:** Periodic reviews of individual goals and performance help monitor progress and provide a basis for performance evaluation and improvement

### 3.8 STEPS IN MBO

The **Management by Objectives (MBO)** process involves the following key steps:

1. **Setting Objectives:** Managers and employees collaboratively set clear, specific, and measurable objectives that align with overall organizational goals. Each level of the organization has written objectives, and individuals take responsibility for achieving them.
2. **Developing Action Plans:** Action plans outline the steps needed to achieve objectives, specify who will carry them out, and set timelines. Top-level management creates strategic action plans, while lower levels develop supporting plans.
3. **Reviewing Progress:** Performance is regularly reviewed based on results. It takes into account the employee's effort, abilities, and role perception. Regular monitoring ensures that goals are on track and necessary adjustments are made.
4. **Appraising Performance:** Employees are evaluated based on how well they have met their objectives. This appraisal helps in recognizing performance, providing feedback, and setting new goals.

### 3.9 STRATEGIES AND POLICIES

Strategic planning is a structured approach organizations use to define their direction and make key decisions. The main steps in the strategic formulation process include:

#### 1. Input to the Organization

The organization requires various **resources and stakeholder inputs**, such as:

- **Resources:** People, capital, management, and technical skills.
- **Stakeholders:** Employees, customers, suppliers, stockholders, government, and the community, whose goals and expectations must be considered.

#### 2. Industry Analysis

This involves evaluating the **external business environment** by:

- Assessing the level of **competition** in the industry.

- Analyzing **barriers to entry** for new firms.
- Considering the **availability of substitute products**.
- Evaluating the **bargaining power of suppliers and buyers**.

### 3. Enterprise Profile

This is the foundation for setting strategy, where top management:

- Defines the **current status and purpose** of the business.
- Determines the company's **geographic focus** and strategic direction.

### 4. Orientation, Values, and Vision of Executives

Executives significantly influence the company's strategy through:

- Their **personal values, risk tolerance, and leadership style**.
- Their **vision**, which shapes the organizational culture and long-term goals.
- Their role in setting the **organizational climate** and strategic tone.

## 3.10 SUMMARY

Planning and decision-making are one of the most important managerial functions that form the basis in the success of any organization. Planning is a forward-looking process through which the activities and resources required to achieve specific goals are determined, and it also contributes to coordinating efforts and ensuring the optimal use of human and material resources. It is said that "good planning is half the work," because of its role in directing business in an organized and effective manner. As for decision-making, it is the essence of the administrative process, as no administrative function can be implemented without the right decisions based on evaluating the available alternatives and choosing the most appropriate ones. Decision-making is practiced at all levels of management, it is considered an ongoing process that directly affects the performance and success of the enterprise. Therefore, the integration of proper planning and rational decision-making is what ensures the enterprise to achieve its goals and grow in a competitive environment.

### **3.11 SUGGESTED READINGS**

1. L M Prasad : Principles and Practice of Management (Sultan Chand & Sons)
2. Gupta, Sharma and Bhalla : Principles and Practices of Management (Kalyani Publishers)
3. T. Ramasamy: Principles of Management (Himalaya Publishing House)
4. George R Terry: Principles of Management (Richard D Irwin Inc)
5. Harold Koontz and Heinzweihrich: Essentials of Management (Mcgraw Hill Series in Management)
6. Peter F Drucker : Frontiers of Management (Heinemann London)
7. Peter F Drucker : Managing for future (Tata Mcgraw Hill)
8. J.S. Chandan : Management theory and Practice (Vikas Publishing House Pvt. Ltd.)
- 9.
- 10.

# Organising and Staffing

## STRUCTURE

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## **4.1 Introduction**

Organizing is a key management function that follows the planning stage. It involves the coordination and integration of human, physical, and financial resources to achieve desired outcomes. Each of these resources plays a vital role in ensuring successful results. Therefore, the organising function significantly contributes to the effective operation of an organisation. As stated by Chester Barnard, organising enables a business to clearly define job roles, establish relationships between tasks, and ensure coordination between authority and responsibility. Managers must consistently engage in organising to accomplish their objectives.

In addition, staffing is considered one of the most crucial functions of management. It entails filling vacant positions with the right individuals, in the right roles, at the right time. Human resources are essential to any organisation, as they enable the effective and efficient use of other resources such as money, materials, and machinery. Ensuring that each individual is placed in a position that matches their skills, talents, and expertise allows for maximum contribution and helps the organisation reach its goals.

Thus, both organising and staffing are fundamental to the success of any organisation. In this lesson, we will explore the key concepts and importance of these two essential management functions.

## **4.2 Objectives**

Where the work is aimed at:

- ✓ To understand the concept of organising and staffing
- ✓ To know about the process of recruitment and selection.
- ✓ To understand the importance of organising and staffing.

## **4.3 Organising**

The terms ‘Organising’ and ‘Organisation’ have been interpreted in various ways. Organising refers to a dynamic managerial process through which the different components of an enterprise are brought together to achieve a specific goal. This process sets the organisation into motion by clearly defining and assigning duties and responsibilities to employees. It also ensures that all necessary resources—such as raw materials, tools, capital, and manpower—are made available for effective functioning. In essence, organising involves the

integration and coordination of human and material resources to ensure that all efforts are aligned towards a common objective.

In another context, the term '**Organising**' is understood as the process of establishing a structured framework of relationships among various positions and roles to achieve the enterprise's goals and objectives. In this sense, the '**Organisation**' serves as the mechanism through which these goals are pursued. The concept of organisational structure has been interpreted in different ways by various scholars. Some describe it as a network of relationships or a blueprint outlining how managers allocate tasks and link them together. Others view it as a social system, emphasizing the human interactions and relationships among individuals performing different functions. Additionally, some authors define an organisation as a system comprising inputs—such as people, materials, and machinery—which are processed to produce desired outputs.

The outputs of this system may include goods, services, profits, and other results. **Organising** is a core management activity focused on establishing a structured relationship among an organisation's resources. It serves as a framework that enables employees to work collaboratively and efficiently. In this way, the organising function addresses both the structural and functional dimensions of the business, aligning various elements with their respective roles and responsibilities to ensure coordinated efforts toward common objectives.

In the following, we will present some definitions of the regulation process by economic thinkers :

- **Chester Barnard:** "Organising is a function through which the roles within an enterprise are defined, relationships among jobs are established, and coordination between authority and responsibility is achieved."
- **Henri Fayol:** "To organise is to provide the enterprise with everything useful to its functioning—raw materials, tools, capital, and personnel—and to coordinate these elements in a way that helps achieve the objectives efficiently."
- **Louis A. Allen:** "Organising is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships to enable people to work most effectively together in accomplishing objectives."
- **Koontz and O'Donnell:** "Organising is the establishment of authority-responsibility relationships among the employees within

an enterprise by identifying tasks and linking them to specific job positions."

- **James Mooney:** "Organisation is the form of every human association for the attainment of a common purpose."

### 4.3.1 Nature

There are some common features of organisation through which a clear idea about its nature can be obtained. These are indicated below:

|    |   |   |
|----|---|---|
| 01 | <b>Process</b>                                | <b>Organisation</b> is the process of defining, grouping, and arranging activities within an enterprise, while establishing authority and responsibility among individuals. It provides a structured framework that helps assign tasks and coordinate efforts to achieve common goals. Simply put, it is how a leader organizes people to get the work done efficiently.  |
| 02 | <b>Structure</b>                              | refers to the framework of duties and responsibilities created through the organising function. It defines relationships at all levels of authority and involves grouping activities into administrative units to achieve the organisation's goals. This structure ensures that both executives and workers understand their roles and how they relate to one another, enabling coordinated efforts toward shared objectives                    |
| 03 | <b>Dividing and Grouping Activities</b>       | Organising involves arranging the parts of an enterprise into an effective working structure. It includes dividing tasks among departments, units, or individuals to achieve specialisation and efficiency, while also integrating these tasks to ensure unity of purpose. According to L. Urwick, organisation is “determining what activities are necessary to any purpose and arranging them as groups which may be assigned to individuals. |
| 04 | <b>Accomplishment of Goals or Objectives</b>  | An organisational structure has purpose only when it is designed around clear goals or objectives. It is created to enable the efficient pursuit of these goals. Haney defines organisation as “a harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes.”  |
| 05 | <b>Authority-Responsibility Relationship:</b> | An organisational structure consists of positions arranged hierarchically, with clearly defined authority and responsibility for each role. An enterprise cannot achieve its goals without a hierarchical arrangement, where higher   |

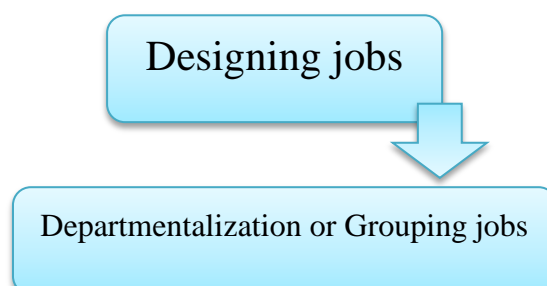
|    |                                   |   |
|----|-----------------------------------|---|
|    |                                   | positions have the authority to make binding decisions. Organisation is often defined as a structure of authority-responsibility relationships.   |
| 06 | <b>Human and Material Aspects</b> | Organisation involves both human and material factors in a business, with the human element being the most crucial. To build an effective organisation, it is essential to create a logical and simple structure. The manager should then place suitable individuals in the right roles. Henry Fayol emphasizes: "Ensure that both human and material organisation are suitable" and "maintain order in both material and human aspects." |

From the above table we conclude that From these features, it is clear that an organisation is primarily an administrative process that identifies the activities necessary to achieve an enterprise's objectives, divides and groups work into individual tasks, and creates a structure of positions arranged hierarchically. This structure defines authority and responsibility relationships among executives and workers, ensuring the most effective pursuit of the enterprise's common goals.

### 7.3.2 Elements

The organisational structure defines corporate communication, the executive and managerial hierarchy, and provides a framework for future growth. For managers, organising involves determining the most effective way to group organisational elements, considering various structural options. Understanding the best combination for the organisation's structure is essential. There are six basic building blocks, also known as elements of organising or organisational structure, that managers use in constructing an organisation. These elements are:

- ✓ Designing jobs
- ✓ Departmentalization or Grouping jobs
- ✓ Establishing reporting relationships between jobs
- ✓ Distributing authority among jobs
- ✓ Coordinating activities among jobs
- ✓ Differentiating among positions



### 4.3.3 Organising as a Process

The management function of organising consists of making a rational division of work and integration of the activities into specific groups to achieve a well coordinated and orderly structure for the accomplishment of work.

The process of organizing in management involves several key steps to ensure that the tasks and responsibilities are properly allocated within an organization:

**Determination of Activities** The first step involves breaking down the total job of an enterprise into essential activities such as production, financing, purchasing, sales, and personnel. This allows managers to focus on crucial tasks, reduce duplication of effort, and ensure efficient use of resources.

**Grouping or Classification of Activities** Once activities are identified, they are grouped into departments, divisions, or sections based on functions, products, territories, or customers. This classification, known as departmentation, helps in specialization and streamlines the organization.

**Allocation or Assignment of Duties to Individuals** After creating departments, suitable and qualified individuals are assigned specific duties within each department. This step ensures that every employee has a clear responsibility, and it matches the individual's competence with the requirements of the job.

**Establishment of Relationships** The final step involves establishing superior-subordinate relationships by assigning tasks and defining reporting structures. Managers supervise subordinates and receive performance reports, creating a clear hierarchy and communication channels within the organization.

### 4.3.4 Importance

The organizing process plays a crucial role in creating a structured framework that enables employees to perform their assigned roles efficiently. It establishes a network of roles and relationships, helping employees understand their responsibilities, which in turn contributes to achieving the organization's goals. Here are the key points that outline the importance of organizing:

**Provides Framework to Perform Management Functions** The organizational structure created through the organizing process provides a clear framework for managers to perform their functions, such as planning, directing, and controlling. The

relationships between superiors and subordinates enable managers to effectively manage their teams and ensure that tasks are carried out efficiently.

**Facilitates Coordination** The organizing process helps in maintaining coordination within the organization. By establishing clear roles, responsibilities, and reporting structures, it ensures that all activities align toward common objectives. This promotes smooth interaction and collaboration across different departments and teams.

#### 4.3.5 Principles

To organize effectively, managers must adhere to certain guiding principles that help streamline decision-making and enhance organizational efficiency. Below are key principles that can assist managers in this process:

**Principle of Specialization** This principle states that work should be divided among employees based on their qualifications, abilities, and skills. By dividing tasks according to specialization, employees become experts in their areas, which leads to greater efficiency and effectiveness in the organization. Specialization helps optimize performance by ensuring that tasks are handled by those best suited to them.

**Principle of Functional Definition** This principle emphasizes the need for clear and precise definitions of all functions within an organization. Every employee should have a clear understanding of their duties, responsibilities, authority, and relationships with others in the organization. Clarifying these aspects ensures better coordination among departments and reduces ambiguity, which ultimately leads to a more effective organizational structure. For example, the roles and authority within departments like production, marketing, and finance should be well defined to avoid confusion and ensure smooth operations.

**Principle of Span of Control/Supervision** This principle deals with the number of employees a manager can effectively supervise. The span of control refers to the number of subordinates under a single manager's supervision. The manager should decide whether to adopt a wide or narrow span based on the tasks at hand, the complexity of the work, and the capabilities of both the manager and the employees. A **wide span of control** refers to managing a large number of employees, whereas a

**narrow span** refers to managing fewer employees, which allows for more direct supervision.

#### **4.3.6 classification of Organisation**

Organizations can be classified based on the nature of relationships that exist within them. These relationships define how tasks are performed, how authority is distributed, and how interactions occur among individuals. There are two primary types of organizations formed on the basis of relationships:

**Formal Organization** A formal organization refers to a structured network of defined roles, responsibilities, and authority that individuals within the organization are expected to adhere to. In this structure, jobs are well-defined, and each position has a specific level of authority and responsibility. It is consciously designed to achieve predetermined goals and follows a set of established rules and norms. The formal organization ensures that work is accomplished efficiently through an official framework, where each individual is held accountable for their performance. The structure typically includes management hierarchies, policies, and procedures.

**Informal Organization** An informal organization, in contrast, refers to a network of personal and social relationships that develop spontaneously within the formal structure of an organization. It arises out of the social interactions and personal connections between employees, often driven by friendships, shared interests, or common values. Informal organizations are not governed by any formal rules or regulations, but rather by social norms, emotions, and informal communication. While they emerge naturally within a workplace, informal organizations can significantly influence how work is done, as they may impact communication, collaboration, and the overall culture of the organization.

#### **4.4 Staffing**

Staffing is the process of hiring eligible candidates in the organisation or company for specific positions. In management, the meaning of staffing is an operation of recruiting the employees by evaluating their skills, knowledge and then offering them specific job roles accordingly.

*"The managerial function of staffing involves managing the organizational structure through proper and effective selection, appraisal, and development of personnel to fill the roles designed into the structure."*

In simpler terms, staffing refers to the process of filling and maintaining positions within the organizational structure. This process includes various activities, such as:

- **Identifying workforce requirements:** Understanding the number and type of employees needed to meet organizational goals.
- **Inventorying available people:** Assessing the current workforce to determine available talent and skills.
- **Recruiting and selecting:** Attracting and hiring the right candidates for the job.
- **Placing and promoting:** Assigning employees to the appropriate roles and promoting them based on performance and need.
- **Appraising:** Evaluating employee performance to ensure that goals are being met and identifying areas for improvement.
- **Career planning:** Helping employees plan their professional growth within the organization.
- **Compensating:** Ensuring employees are fairly compensated for their work and contribution.
- **Training and development:** Providing necessary training to enhance employees' skills and support their growth, both for new recruits and existing staff.

#### 4.4.1 Functions of Staffing

- ✓ The first and foremost function of staffing is to obtain qualified personnel for different jobs position in the organisation.
- ✓ In staffing, the right person is recruited for the right jobs, therefore it leads to maximum productivity and higher performance.
- ✓ It helps in promoting the optimum utilisation of human resource through various aspects.
- ✓ Job satisfaction and morale of the workers increases through the recruitment of the right person.
- ✓ Staffing helps to ensure better utilisation of human resources.
- ✓ It ensures the continuity and growth of the organisation, through development
- ✓ managers.

#### 4.4.2 Nature

Staffing is often regarded as a **people-centered function** because it directly impacts the most valuable asset of an organization—its people. It applies to all types of organizations, from top management to operational workers. Staffing involves various categories of personnel, such as:

- **Blue-collar workers:** These individuals typically perform manual tasks, such as operating machinery, loading/unloading goods, etc.
- **White-collar workers:** These employees are usually engaged in office-based tasks, including clerical and administrative roles.
- **Managerial and non-managerial staff:** Managers who oversee operations at different levels, as well as employees who support the overall business.
- **Professionals:** Individuals with specialized skills or qualifications, such as Chartered Accountants or Company Secretaries.

#### Responsibility of Manager in Staffing

Staffing is a fundamental function for managers at all levels. A manager's involvement is critical in:

- **Recruitment:** Identifying and attracting potential candidates.
- **Selection:** Choosing the most suitable candidates for specific roles.
- **Training:** Ensuring that employees are adequately prepared for their tasks.
- **Appraisal:** Monitoring and evaluating the performance of employees.

Managers at different levels (chief executives, departmental heads, and foremen) are responsible for performing staffing activities within their respective areas of responsibility.

#### Human Skills in Staffing

Effective staffing requires strong **human relations skills**. Managers must be able to guide, train, and develop subordinates effectively. Building positive human relations fosters a productive environment and ensures that employees work together harmoniously toward achieving organizational goals. Proper staffing leads to a workplace where individuals can work together in an organized and mutually respectful manner.

#### Continuous Function

Staffing is an ongoing function in any organization, whether it's newly established or well-established. In a new organization, staffing activities like

recruitment, selection, and training are essential for building the workforce. In established organizations, staffing remains a continuous activity as managers are always engaged in recruiting, training, and managing employees to meet evolving goals. Continuous attention to staffing ensures that the workforce remains aligned with organizational objectives and is capable of responding to changes and challenges.

#### **4.4.3 Importance**

**Efficient Performance of Other Functions** Staffing plays a vital role in ensuring that other management functions—such as planning, organizing, and controlling—are performed efficiently. Without competent personnel in place, an organization cannot execute these functions effectively. The staffing function ensures that the right people are in the right positions, enabling the smooth execution of all managerial tasks.

**Effective Use of Technology and Other Resources** Human resources are key to utilizing technology and other organizational resources effectively. While technology, capital, and materials are essential for business operations, it is the skilled personnel who ensure these resources are put to optimal use. Proper staffing helps management ensure that the right personnel are in place to leverage technological advancements and manage resources efficiently.

**Optimum Utilization of Human Resources** Organizations often face high costs related to wages, recruitment, training, and development. Therefore, it is crucial for the staffing function to be performed effectively to ensure the optimal use of human resources. By aligning personnel to the right roles, organizations can maximize employee productivity, reducing wasted resources and improving output.

**Development of Human Capital** Staffing also involves identifying the future human capital needs of the organization. This includes planning for future manpower requirements and developing existing personnel for career growth and advancement. Training and development are essential aspects of staffing, as they prepare the workforce for future challenges and help maintain a skilled, adaptable team.

**Motivation of Human Resources** The staffing function contributes to the motivation of employees by ensuring that the right incentives are in place. Factors like education, personal needs, and socio-cultural influences affect employee behavior. Effective staffing includes identifying these factors and motivating employees with both financial and non-financial incentives. By doing so, it fosters a work environment where employees are engaged, satisfied, and more likely to contribute to the organization's success.

#### 4.4.4 Elements of Staffing

Recruitment is the process of attracting candidates to apply for vacant job positions within an organization. It plays a crucial role in ensuring that the organization has a pool of qualified candidates to select from.

##### Sources of Recruitment:

1. **Internal Source of Recruitment:** This involves filling vacancies by promoting or transferring existing employees. It's a popular method due to several advantages:
  - ✓ **Economical:** It reduces the costs of external recruitment.
  - ✓ **Motivates Employees:** Employees are encouraged to perform better for promotion opportunities.
  - ✓ **Less Training Required:** Employees are already familiar with the organization's rules and culture.
  - ✓ **Job Rotation:** Transfers can provide training by exposing employees to different roles.

##### Demerits:

- ✓ **Limited Pool of Candidates:** No fresh perspectives are brought in.
- ✓ **Limited Choice:** The organization may not find the best candidate for the position.
- ✓ **Not Ideal for New Organizations:** New businesses need to bring in external talent for fresh ideas.
- ✓ **Reduced Productivity:** Frequent transfers can disrupt employee performance.

##### Methods of Internal Recruitment:

- ✓ **Transfer:** Moving employees to a different job within the same level and responsibilities without affecting compensation.
- ✓ **Promotion:** Moving employees to a higher-level job with more responsibilities, authority, and compensation.

#### 4.4.4.1 Recruitment

#### 4.4.4.2 Selection

Selection is the process of identifying and choosing the most suitable candidate to fill a vacant job position within an organization. It typically begins after recruitment, where a large number of applications are received, and the focus shifts to narrowing down the pool of candidates.

##### Steps in the Selection Process:

1. **Preliminary Screening:** The first step in the selection process involves a preliminary interview, typically conducted by personnel managers. This initial round screens candidates based on basic information such as:
  - Address
  - Marital status
  - Educational background (schooling, college)

The purpose of this step is to assess the candidate's basic qualifications and level of confidence. It also serves as an introduction to evaluate whether the candidate can handle questions in a structured manner.

2. **Selection Test:** Organizations often conduct written tests to evaluate candidates' practical knowledge and skills relevant to the job. The type of test depends on the organization's requirements, and companies may design their own tailored tests. Some common types of tests include:
  - **Aptitude Tests:** Assess general intelligence and problem-solving abilities.
  - **Skill Tests:** Evaluate specific technical skills related to the job.
  - **Personality Tests:** Examine traits such as behavior, values, and fit for the organizational culture.

#### 4.4.4.3 Training and Development

start, leading to improved productivity and efficiency.

**Increased Job Satisfaction and Motivation:** Training programs help employees feel more competent in their roles, which increases job satisfaction. Employees are also motivated to perform well when they feel that the organization is investing in their personal and professional development.

**Reduced Supervision:** Trained employees require less supervision since they have the necessary skills and knowledge to perform their tasks. This reduces the time and resources spent by managers in overseeing employees' work.

**Reduced Turnover:** Organizations that offer training and development opportunities to employees typically experience lower turnover rates. Employees are more likely to stay with a company that invests in their growth and career development.

**Improved Employee Adaptability:** Training equips employees with the skills to adapt to changes in technology, processes, and market demands. This helps organizations remain competitive and responsive to industry changes.

#### **4.4.5 Process of Staffing**

Staffing is one of the most important managerial function which helps in obtaining and fulfilling various positions in the organisation with most suitable and capable persons. In this process the following steps are involved

**Selection:** Selection is the process of choosing the most suitable candidates from the pool of applicants generated through recruitment. It involves screening resumes, conducting interviews, administering tests, and evaluating candidates based on specific criteria, ensuring the right fit for the role.

**Placement and Orientation:** Once the candidates are selected, the next step is placement, where they are assigned to the respective job roles. Orientation programs are conducted to introduce the new employees to the organization's culture, values, policies, and job-specific requirements. This helps them adjust quickly to their new environment and understand their responsibilities.

**Training and Development:** Training equips employees with the necessary skills to perform their jobs effectively. It helps in enhancing their competencies, reducing errors, and increasing productivity. Development focuses on broader aspects such as personal growth, leadership, and preparing employees for higher positions in the future.

## 4.5 Let Us Sum Up

Organising is the process of arranging and distributing tasks within an organisation to achieve its goals efficiently. It involves steps like determining activities, grouping similar tasks, and establishing relationships among individuals and departments. Key elements include responsibility, authority, and accountability. Organisational structure refers to the arrangement of departments and levels of management. The span of control defines the number of subordinates a manager can effectively supervise. Staffing involves recruiting, selecting, and developing the right personnel to fill positions, with recruitment methods like advertising, agencies, or word of mouth. Training enhances employee skills, while performance appraisal assesses job performance for continuous improvement.

## 4.6 Suggested Reading

1. Brech, E.F.L. *Principles and practice of Management*”, 3rd edition, Longman, 1975.
2. Newman, Warren and Summer. *The process of Management: Concept,*
3. *Behaviour and Practice.*
4. Michael, J. Stahl. *Management: Total Quality in a Global Environment* (Blackwell Business).
5. Kootz, O. Donnel, *Weighrich: Essentials of Management.*
6. Stooner, Freeman, Gilbert Jr. : *Management* (Pearson Education).

# Organisation Structure

## **STRUCTURE**

5.1 Introduction

5.2 Objectives

5.3 Organizing

5.3.1 Concept of Organising

5.3.2 Objectives (or purpose) of Organising

5.3.3 Nature of Organisation

5.3.4 Types of Organising Structure

5.4 Summary

5.5 Suggested Readings

## **5.1 Introduction**

An organizational structure defines how activities such as task allocation, coordination, and supervision are directed toward achieving organizational goals. It outlines the formal layout of a company's hierarchy, roles, responsibilities, and communication systems. A well-designed structure helps streamline processes, enhance productivity, and facilitate effective decision-making. Depending on its size, goals, and operational strategy, an organization may adopt different structural models such as functional, divisional, matrix, or flat. Understanding organizational structure is essential for analyzing how organizations operate internally and adapt to external challenges.

The origin of organisation has been spontaneous. It came into existence in the early stages of human evolution when persons began to co-operate and combine together to achieve a common goal. A sound management is based on proper organisational structure which is concerned with determining responsibility and assigning of authority to different superiors and establishing proper inter-relationship among them for achieving the desired objectives. An organisation is not an end in itself, it is only acts as a means towards an end i.e., the accomplishment of firm's goals.

## **5.2 Objectives**

By the end of this lesson, you will be able to:

- Understand the concept, objectives, characteristics, and various types of organizing
- Explain the process and importance of delegation of authority
- Differentiate between authority and responsibility
- Distinguish between centralization and decentralization
- Identify the factors influencing span of control

## **5.3 Organizing**

### **Concept of Organising**

Organising is a management function that involves arranging and distributing tasks among group members. It includes identifying activities, creating departments and roles, and establishing relationships within the organization to ensure systematic workflow. It's important to distinguish

between organising a managerial process and organisation a group of people working toward common goals. The term "organisation" can also be viewed as a system for communication, problem-solving, and decision-making.

A number of management thinkers have given different definitions of the concept of organization, the most notable of which are:

- Henri Fayol believes that organizing work means providing all the necessary raw materials, tools, capital, and human resources for the success of the enterprise.
- Ralph Davis defines an organization as a group of individuals working collaboratively under unified leadership to achieve a common goal. Koontz and O'donnell consider organization as the process of grouping the activities necessary to achieve the goals of the enterprise, entrusting each set of these activities to a manager with the necessary powers to supervise them.
- Oliver Sheldon sees organization as the integration of actions carried out by individuals or groups with the means necessary to carry them out, in such a way as to ensure maximum efficiency and positive coordination.
- Cameron describes the organization as the structure through which responsibilities and tasks are distributed within the enterprise.

Based on these definitions, it can be said that regulation is a management process aimed at identifying the activities necessary to achieve goals, classifying and distributing these activities to individuals, delegating authority, regulating relations between different positions within the enterprise.

### **Objectives of Organising**

Every deliberate economic activity is driven by a specific purpose. When a group of people gathers without a predefined goal or objective, it is simply a crowd—not an organization. However, if the same group is invited to a conference, a sense of purpose is introduced, transforming the gathering into a structured group. According to Bertrain M. Gross, a purpose refers to a commitment to a desired future. The terms purpose and objectives are often used interchangeably.

In general, the main objectives of organizing in a business context include:

|           | <b>Objectives</b>                      | <b>Definition</b>  |
|-----------|--|--|
| <b>01</b> | Effective Management of the Enterprise | Effective organization is the foundation of efficient management. It ensures a proper balance between authority and responsibility, establishes clear communication channels, and defines areas of work. A strong organization allows top management to focus on strategic planning and supervision, while routine tasks are delegated to lower levels, minimizing overlap and inefficiency. |
| <b>02</b> | Maximum Production at                  | Through the principle of division of labor, tasks are assigned efficiently, enabling employees to contribute optimally. This results in  |

|    |                                      |   |
|----|--------------------------------------|---|
|    | Minimum Cost                         | higher productivity and reduced waste, thereby lowering production costs and potentially increasing profitability.  |
| 03 | Sustained Growth and Diversification | A business must grow over time and expand its operations. Diversifying products and markets is essential in a competitive environment. A well-structured organization enables effective policy execution and builds the confidence needed for handling larger and more complex operations.            |
| 04 | Employee Cooperation                 | The success of any organizational structure depends on the cooperation of employees. A well-organized system encourages teamwork and provides incentives—both financial and non-financial—that promote collective effort and enhance team spirit.   |
| 05 | Fulfilling Social Responsibility     | While profit is a key motive, a business is part of society and must serve it by offering quality products at fair prices. Long-term survival depends on meeting consumer needs ethically. A strong organizational structure supports the company's role in contributing positively to the community. |

The purpose of proper regulation is:

- ✓ Create an activity authority environment that people can do The most effective.
- ✓ Making teamwork efficient and effective m
- ✓ Coordinate individual efforts towards group goals.
- ✓ Create relationships that will reduce friction , focus on goals,
- ✓ Identify the responsibilities of all parts closely and facilitate the realization of Goals.
- ✓ Subdivision of the management process

### 5.3.1 Concept of Organising

Organising is a key management function that involves structuring and distributing work among members of a group. It includes identifying necessary activities, creating departments and roles, and establishing relationships to ensure coordinated efforts. While "organising" refers to this managerial process, "organisation" refers to the actual group working towards common goals. Various experts define organisation as a structured system for communication, decision-making, and achieving objectives. Overall, organising involves assigning tasks, delegating authority, and creating a framework that enables efficient and systematic performance.

### 5.3.2 Objectives (or purpose) of Organising

Organising serves a clear purpose in any deliberate economic activity. Unlike a random gathering, a true organisation is driven by specific goals. According to Bertrain M. Gross, purpose means commitment to a desired future. In business, organising helps achieve the following key objectives:

**Effective Management:** A well-structured organisation ensures a proper balance between authority and responsibility, clear communication, and defined roles. It enables top management to focus on planning while delegating routine tasks, thus avoiding inefficiency.

**Maximum Production at Minimum Cost:** Through division of labour and efficient task allocation, employees can work more effectively. This leads to higher productivity and cost reduction, boosting profitability.

**Sustained Growth and Diversification:** For long-term success, businesses must grow and diversify. Organising helps implement policies systematically, enabling the company to expand its scale and enter new markets with confidence.

### **5.3.3 Nature of Organisation**

The nature of organisation can be understood in two main ways:

- **Organisation as a Process:** This refers to the ongoing managerial activity of arranging tasks, assigning responsibilities, and coordinating efforts to achieve objectives. It emphasizes the dynamic and continuous nature of organising.
- **Organisation as a Structure:** This focuses on the formal framework of relationships within an organisation. It defines roles, responsibilities, authority, and communication channels, creating a stable system for efficient functioning.

### **5.3.4 Types of Organising Structure**

The choice of an organisational structure depends on the business's nature, scale, and size. Organisational structure mainly focuses on assigning tasks and delegating authority. There are three main types of organisational structures:

- Line Organisation
- Functional Organisation
- Line and Staff Organisation

## **5.4 Summary**

Organising is a key managerial process that involves dividing and grouping activities to achieve shared goals. It becomes essential when two or more individuals collaborate toward common objectives. This process includes identifying necessary tasks, grouping them logically, assigning them to individuals or departments, and delegating the appropriate authority and responsibility.

Effective organising ensures that everyone knows their role and how they contribute to the overall mission of the organisation. It also involves structuring the organisation into departments and sections, based on the nature of tasks, to ensure smooth coordination and efficiency.

Additionally, centralisation refers to concentrating decision-making power at the top levels of management, while decentralisation allows different departments or units to make their own decisions independently.

Another important concept is the span of control (or span of management), which refers to the number of subordinates a manager can effectively supervise. Human limitations in attention and coordination make it necessary to keep this number within a manageable range to maintain effectiveness.

## **5.5 Suggested Readings**

1. Fundamentals of Management : Robbins, DeCenzo and Coutler
2. Fundamentals of Management : Ricky W. Griffin
3. Principle of Management : R.S. Gupta, B.D. Sharma, N.S. Bhalla

# Directing

## STRUCTURE

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## 6.1 Introduction

Directing is the managerial process of instructing, guiding, inspiring, advising, supervising, and leading individuals towards the achievement of organizational objectives. It is a continuous function that remains active throughout the lifespan of an organization. Through directing, managers provide instructions, offer guidance, and monitor the performance of employees to ensure that predetermined goals are successfully met.

Directing is often referred to as the "heart" of the management process. Without effective direction, other managerial functions such as planning, organizing, and staffing lose their significance and impact.

This function marks the point where actual implementation begins, emphasizing human involvement and interaction. Simply put, directing involves providing necessary guidance to employees as they carry out their tasks.

In management, directing encompasses all activities designed to motivate and encourage subordinates to perform their duties efficiently and effectively. According to Human, "Directing consists of the process or technique by which instructions can be issued and operations can be carried out as originally planned."

Therefore, directing plays a crucial role in management, as it involves leading, inspiring, supervising, and instructing individuals to achieve the strategic goals of the organization.

## 6.2 Objectives

After reading this lesson you would be able:

- To state the meaning and importance of directing function of management.
- To know about the elements and principles of directing.
- To discuss the meaning, functions and importance of supervision.

## 6.3 Directing

### a) Definitions:

Directing represents the very core of the management process. It is a vital managerial function, without which the success of any other aspect of management cannot be achieved. Directing helps in establishing a productive and motivating work environment that enables employees to carry out their responsibilities effectively.

As part of the leadership functions, directing involves guiding, supervising, and influencing people. Its primary focus lies in managing human interactions and building strong personal relationships to steer collective efforts

toward the achievement of organizational goals. The effectiveness of directing efforts plays a decisive role in determining whether an organization performs satisfactorily or not. In essence, directing serves as a real test of a manager's capability in leading the organization.

From it we find that some thinkers and scientists defined directing as :

**Haimann:** "Directing consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned."

**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."

**Urwick and Brech:** "Directing is the guidance, the inspection, the leadership of those men and women that constitute the real course of responsibility of management."

#### **b) Key Focus Areas of Directing:**

- ✓ Ensuring that subordinates carry out their tasks.
- ✓ Making sure the work is performed not only according to plan but also in line with managerial expectations to achieve the desired goals.
- ✓ Fostering strong interpersonal relationships within the team or group

### **6.3.1 Nature**

#### **Directing: The Heart and Soul of Management**

- **Essential Function:** Planning, organizing, and staffing are ineffective without proper direction.
- **Applies to All Levels:** Every manager, regardless of level, is responsible for guiding their team.
- **Ongoing Process:** Direction continues as long as work is being done.
- **Results-Oriented:** Ensures tasks are completed and employee issues are addressed promptly.
- **Connects Management Functions:** Acts as a bridge between planning, organizing, staffing, and controlling.
- **Promotes Human Relations:** Encourages cooperation and harmony within the team.

### **6.3.2 Significance**

Directing is often described as the heart or "life spark" of management, as it activates the organization and sets work into motion. Its importance lies in the following points:

- ✓ **Initiates Action:** Directing starts the actual execution of plans by guiding subordinates in their tasks.

- ✓ **Integrates Efforts:** It aligns and unifies the efforts of individuals and departments through leadership and communication, promoting effectiveness and stability.
- ✓ **Motivates Employees:** By using incentives and recognition, directing boosts morale and performance, helping the organization grow.
- ✓ **Ensures Stability:** With leadership, communication, supervision, and motivation, directing maintains balance and consistent performance within the organization.
- ✓ **Adapts to Change:** Directing helps employees understand and adjust to internal and external changes, reducing resistance and ensuring smooth transitions.
- ✓ **Optimizes Resource Use:** Clear guidance reduces waste and overlap, leading to efficient use of human and material resources, lowering costs, and increasing profits.

### 6.3.3 Principles

Key Principles of Directing:

- ✓ **Maximum Individual Contribution:** Managers should adopt methods that encourage employees to give their best efforts toward organizational goals.
- ✓ **Harmony of Objectives:** Directing helps align personal and organizational goals, resolving potential conflicts between them.
- ✓ **Unity of Command:** Each employee should receive orders from only one supervisor to avoid confusion and conflict.
- ✓ **Appropriate Direction Technique:** Direction methods should be tailored to suit employees' abilities, needs, and the situation.
- ✓ **Managerial Communication:** Clear and effective communication is essential so employees understand instructions as intended.
- ✓ **Use of Informal Organization:** Managers should recognize and utilize informal groups for better communication and cooperation.
- ✓ **Leadership:** Strong leadership is essential to influence, guide, and motivate employees effectively.
- ✓ **Follow Through:** Managers must ensure that instructions and policies are properly implemented and followed up.

### 6.3.4 Elements

Directing in management involves four essential elements: communication, supervision, motivation, and leadership, all of which are necessary to ensure coordination and teamwork within the organization.

### **6.3.4.1 Communication**

Communication is the process of exchanging information between a sender and a receiver to convey instructions and guidance for better performance.

It is a two-way process, meaning it can flow from manager to employee or vice versa.

Types of communication include:

- ✓ By channel: Formal and informal.
- ✓ By direction: Upward, downward, horizontal, diagonal.
- ✓ By mode: Verbal (oral/written) and non-verbal (gestures, body language).

Importance:

- ✓ Clarifies roles and guides performance.
- ✓ Promotes coordination and reduces conflicts.
- ✓ Enhances efficiency and boosts morale.

### **6.3.4.2 Supervision**

Supervision involves monitoring employees' performance after giving them instructions to ensure tasks are completed as planned. Supervisors are in direct contact with workers, solving job-related issues, coordinating activities, and ensuring that instructions are followed.

Importance:

- ✓ Acts as the link between upper management and workers.
- ✓ Encourages collaboration and enhances productivity.
- ✓ Ensures effective communication within the team.

### **6.3.4.3 Motivation**

Motivation is the process of encouraging employees to exert effort to achieve organizational goals. It can be:

- ✓ Financial (e.g., bonuses) or non-financial (e.g., recognition).
- ✓ Positive (encouragement) or negative (penalties).

**Importance:**

- ✓ Converts ability into willingness to work.
- ✓ Reduces absenteeism and turnover.
- ✓ Fosters a sense of belonging and improves morale.

Maslow's Hierarchy of Needs explains that individuals have needs that range from physiological to self-actualization. Addressing these needs helps in motivating employees.

#### **6.3.4.4 Leadership**

Leadership is the ability to influence others and guide them toward achieving goals. A good leader can overcome resistance to change and lead the team to success.

##### **Importance:**

- ✓ Motivates employees to perform at their best.
- ✓ Builds trust and teamwork.
- ✓ Increases efficiency and reduces waste.

**Key Leadership Qualities** include: competence, intelligence, integrity, communication skills, and the ability to cooperate.

#### **6.3.5 Role of a Supervisor**

##### **Role of a Supervisor**

The supervisor plays a vital role in factory management, particularly at the execution level. As a first-line manager, the supervisor has many important responsibilities to ensure productivity. Some may call supervisors "workers," while others view them as "managers," but in reality, they should be considered "operative managers" as their primary function is to manage workers at the operational level.

The supervisor performs various roles, including:

- ✓ **Planner:** The supervisor plans daily work schedules and allocates tasks to workers based on their skills and abilities.
- ✓ **Manager:** Supervisors are integral to the management team, acting as operative managers who ensure the smooth functioning of the factory floor.
- ✓ **Guide and Leader:** A supervisor provides leadership by guiding workers, offering instructions, and motivating them to perform their tasks efficiently.
- ✓ **Mediator:** Serving as a link between management and workers, the supervisor communicates management's decisions to workers and vice versa, acting as the spokesperson for both sides.
- ✓ **Inspector:** Supervisors ensure discipline in the workplace by monitoring work progress, recording performance, and reporting any deviations from

the set schedules. They may also create and enforce rules that workers must follow.

- ✓ **Counselor:** A supervisor listens to workers' grievances and provides solutions to resolve issues. By fostering positive relationships and cooperation, the supervisor helps create a harmonious work environment.

Effective supervision is crucial for improving work performance, building strong human relations, and creating a cooperative atmosphere. All these factors contribute to increased productivity.

### 6.3.6 Functions of a Supervisor

A supervisor, being the direct link between management and operatives, is responsible for various functions aimed at ensuring stability, efficiency, and productivity in the organization. These functions contribute to increased profits by improving overall productivity. Here are the key functions of a supervisor:

- ✓ **Planning and Organizing:** The supervisor is responsible for planning the daily work schedules of workers, guiding them on the nature of their tasks, and allocating work based on their skills, interests, and abilities.
- ✓ **Provision of Working Conditions:** Supervisors ensure the physical setup of the factory is conducive to work by providing adequate facilities such as seating, ventilation, lighting, and water. Their main responsibility is to create a healthy and hygienic work environment for the workers.
- ✓ **Leadership and Guidance:** As the leader of the workers, the supervisor motivates them to perform at their best. They set production targets and provide the necessary guidance and instructions to help workers achieve those targets.
- ✓ **Motivation:** The supervisor plays a crucial role in motivating workers by offering various incentives, both monetary and non-monetary, to inspire better performance.
- ✓ **Controlling:** This function involves monitoring the actual performance against the set schedules. The supervisor tracks work progress, identifies any deviations, and takes corrective actions. If issues cannot be resolved independently, they report them to top management.
- ✓ **Linking Pin:** The supervisor serves as a bridge between management and workers, ensuring smooth communication of management policies to workers and conveying workers' problems, complaints, and suggestions to management.
- ✓ **Grievance Handling:** The supervisor handles workers' grievances by directly engaging with them, gaining their trust, addressing their concerns

on a human level, and, if necessary, seeking management's help to resolve issues.

- ✓ **Reporting:** Supervisors are responsible for reporting on factors like cost, quality, and output, all of which are crucial for improving productivity. Regular updates on these metrics help management make informed decisions.
- ✓ **Introducing New Work Methods:** The supervisor keeps an eye on market trends and competition to innovate production techniques. They can introduce new schedules and improve the working environment, resulting in:
  - Higher productivity
  - Increased worker morale
  - Satisfying working conditions
  - Improved human relations
  - Higher profits
  - Greater stability
- ✓ **Enforcing Discipline:** The supervisor plays a key role in maintaining discipline by implementing checks, orders, and instructions. They monitor the general discipline within the factory and enforce penalties for any violations to ensure smooth operations.

The supervisor's role is multifaceted, focusing on planning, motivating, guiding, and maintaining discipline among workers while ensuring communication between management and the workforce. Effective supervision leads to a productive and harmonious work environment, contributing to the overall success of the organization.

## 6.4 Let Us Sum Up

Direction is a crucial management function that involves issuing orders and instructions to subordinates to achieve organizational goals within a prescribed time limit. It ensures that operations are carried out according to the plan.

### Nature of Direction

- **Important Function of Management:** Direction is central to guiding the actions of employees toward achieving the organizational objectives.
- **Performed by All Levels of Management:** Direction is required at every level of management, from top to operational levels.

- **Result-Oriented:** The ultimate goal of direction is to produce results and achieve the desired outcomes.
- **Continuous Process:** Direction is an ongoing function that requires constant attention and adaptation.
- **Acts as a Link Between Management Functions:** Direction connects various management functions, ensuring the efficient execution of tasks and coordination among them.

### **Principles of Directing**

- ✓ **Principle of Efficiency:** Directing should be carried out in the most effective and efficient manner to achieve organizational goals.
- ✓ **Principle of Communication:** Clear and open communication is essential for the success of direction.
- ✓ **Principle of Leadership:** A manager must lead and inspire subordinates to achieve the best possible outcomes.
- ✓ **Principle of Command:** Clear instructions and authority must be established to ensure proper execution of tasks.
- ✓ **Principle of Supervision:** Supervising employees and ensuring they follow the established procedures is an essential aspect of direction.

### **- Elements of Direction**

- ✓ **Motivation:** Encouraging employees to perform their tasks enthusiastically by providing incentives and fostering a positive work environment.
- ✓ **Leadership:** Providing guidance and influencing the behavior of subordinates to align with organizational goals.
- ✓ **Communication:** Facilitating effective exchange of information between management and employees.
- ✓ **Coordination:** Ensuring that different tasks and activities are properly coordinated for smooth operation.
- ✓ **Supervision:** Monitoring the performance of subordinates to ensure that work is being done as per the plan.

Direction is the heart of the management process, much like how the heart is vital for circulating blood and keeping the body functioning. Direction enables subordinates to perform at their best in a healthy and motivating environment. It involves guiding, motivating, and supervising employees while ensuring that tasks are completed effectively and efficiently. As Earnest Dale suggests, "Directing is what has to be done and in what manner through dictating the procedures and policies for accomplishing performance standards." Therefore, direction is truly the essence of the management process.

## **6.5 Suggested Readings**

1. Newman, Warren and summer. The process of Management: Concept, Behaviour and Practice.
2. Michael, J. Stahl. Management: Total Quality in a Global Environment (Blackwell Business).
3. Kootz, O. Donnel, Weighrich: Essentials of Management.
4. Stooner, Freeman, Gilbert Jr. : Management (Pearson Education).

# Controlling

## STRUCTURE

7.1 Introduction

7.2 Objectives

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7.3.1 Concept of Controlling

7.3.2 Principles of Controlling

7.4 Process and Techniques of Controlling

7.4.1 Process and Techniques of Controlling

7.4.2 Technique of Controlling

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## 7.1 Introduction

The aim of any organization is to utilize scarce resources in the most efficient manner. Planning is undertaken to achieve optimal outcomes. Control, as a managerial function, involves monitoring whether these plans are being followed, recording progress, and taking corrective actions when deviations occur. It serves as a critical stage in the management process, which begins with planning and concludes with controlling. Functions such as organizing, staffing, and directing act as essential links between planning and control. While planning focuses on setting goals and objectives, controlling ensures that actual performance aligns with the established plans.

## 7.2 Objectives

After completion of this lesson you shall be able:

- ✓ to know the concept and principles of controlling.
- ✓ to assess the process and techniques of controlling.
- ✓ relationship between planning and controlling.

## 7.3 Controlling

Controlling involves verifying that activities are carried out in accordance with the adopted plans, issued instructions, and established principles. Its primary aim is to ensure the effective and efficient use of organizational resources to achieve the set goals. Control measures the deviation between actual performance and the expected standards, identifies the causes of any discrepancies, and assists in taking corrective actions.

Several definitions of controlling include:

- **According to Brech,** *"Controlling is a systematic process of checking actual performance against the standards or plans to ensure adequate progress and recording experiences gained for future reference."*
- **Koontz and O'Donnell describe it as** *"the measurement and correction of subordinate activities to ensure that organizational goals and the plans devised to achieve them are being fulfilled."*
- **Haimann defines control as** *"the process of determining whether proper progress is being made towards the objectives and, if necessary, taking action to correct deviations."*

- **George R. Terry sees it as** *"evaluating actual accomplishments and, if necessary, taking corrective measures to ensure performance aligns with plans."*
- **Henry Fayol states that** *"control involves verifying that everything occurs in accordance with the adopted plan, issued instructions, and established principles, aiming to highlight weaknesses and errors to correct and prevent their recurrence. It operates across all elements—things, people, and actions."*

In simple terms, control as a managerial function means measuring actual performance, comparing it against planned standards, and correcting deviations to ensure that objectives are achieved as intended. Control applies to all aspects of business operations, including finance, purchasing, production, marketing, personnel management, cost control, quality assurance, and materials handling.

### 7.3.1 Concept of Controlling

The nature or characteristics of controlling can easily be understood from the following facts:

|   |  |
|---|--|
| <b>Controlling as a Fundamental Management Function</b> | Controlling is one of the core functions of management, alongside planning, organizing, staffing, and directing. Among these, controlling holds a crucial position. Without control, the effectiveness of the other management functions would be significantly diminished, rendering them almost meaningless. |
| <b>Essential for Every Manager</b>                      | Controlling is a universal function, applicable across all organizations—whether business or non-business—and at every managerial level. Every manager, regardless of rank, is responsible for ensuring that actual performance aligns with established plans.   |
| <b>A Continuous Activity</b>                            | Controlling is not a one-time task nor something performed sporadically. It is an ongoing process where progress must be consistently monitored and assessed to ensure goals are being met.  |
| <b>Result-Oriented</b>                                  | Control focuses on outcomes. Progress is evaluated based on results, and any deviations from expected outcomes prompt corrective actions to maintain alignment with objectives.  |
| <b>Forward-Looking</b>                                  | Control is inherently forward-looking; it cannot alter the past but seeks to influence future activities. By learning from past performance, organizations can reduce waste, minimize losses, and prevent deviations. Control also fosters innovation and the continuous improvement of standards.             |
| <b>Closely Linked</b>                                   | Planning and controlling are often referred to as the "Siamese twins" of   |

|   |  |
|---|--|
| <b>with Planning</b>                        | management due to their strong interconnection. Planning sets the objectives, policies, and procedures, while controlling ensures that actual activities stay on course toward those objectives. Just as a navigator adjusts a ship's course when it veers off track, managers use control mechanisms to realign operations and feed insights back into future planning. |
| <b>Goal-Oriented and Positive in Nature</b> | The purpose of controlling is to ensure that the organization stays focused on its goals. It is a positive function that helps both the organization, by ensuring progress, and individuals, by guiding them to align their actions with organizational objectives—even if that means compromising a degree of personal independence for the greater good.               |

### 7.3.2 Principles of Controlling

#### Essentials of an Ideal Control System

An ideal control system is one that ensures the controlling function is easy, effective, and smooth. Below are the basic requirements or principles that characterize a strong control system:

#### 1. **Suitability**

The control system must align with the organization's needs, type of activity, and specific circumstances. Information regarding performance should flow in accordance with the organizational structure, allowing deviations to be reported appropriately at various managerial levels.

#### 2. **Simplicity**

An effective control system should be clear, straightforward, and easy to understand and operate. Complexity creates barriers to successful implementation and diminishes the system's effectiveness.

#### 3. **Objectivity**

Setting standards, measuring performance, and implementing corrective actions should be objective and impartial. Standards must be clear, definite, and preferably quantified to eliminate subjective judgment.

#### 4. **Economical**

The benefits of the control system must outweigh its costs. It should focus only on significant areas to avoid unnecessary expenses, ensuring that control remains cost-effective and efficient.

#### 5. **Flexibility**

A good control system should adapt to changes in plans and respond

dynamically to the evolving business environment. It must remain effective under shifting conditions.

#### **6. Quick Reporting**

Timely communication is critical. Subordinates must quickly report actual results and deviations to their superiors, enabling prompt corrective actions to maintain control effectiveness.

#### **7. Suggestive**

A control system should not only detect deviations but also suggest corrective measures. A self-correcting system, integrated into the internal workings of the organization, is far more effective than an externally imposed mechanism.

#### **8. Forward-Looking**

Control should be proactive, anticipating potential problems and deviations before they occur. Preventive measures, like forecasting cash needs, are examples of forward-looking control systems.

#### **9. Focus on Individual Responsibility**

Effective control targets individuals rather than just tasks or jobs, holding specific persons accountable for outcomes.

#### **10. Strategic Point Control**

Not all deviations require managerial attention. A good system focuses on critical points—strategic areas that significantly impact organizational performance. This approach supports the principle of control by exception.

#### **11. Self-Control**

Departments should manage their own control systems where possible. Internal self-monitoring can reduce the need for detailed external controls, with all subsystems integrated into a comprehensive overall control system.

#### **12. Feedback**

Consistent feedback on past performance is crucial. Whether gathered through observation, reports, or direct communication, feedback enables timely corrective actions and adjustments to future operations.

## **7.4 Process and Techniques of Controlling**

### **7.4.1 Process or Steps of Controlling**

The process of control can be broadly divided into four key steps:

- (i) Establishment of control standards,
- (ii) Measurement of performance,
- (iii) Comparison of performance with standards and communication,
- (iv) Correction of deviations from standards.

#### **A. Establishment of Control Standards**

- ✓ Every organizational function begins with planning—setting goals, objectives, or targets. Based on these, control standards are established to serve as benchmarks for measuring actual results.
- ✓ For effective control, it is crucial to clearly identify the desired outcomes. These standards should be precise and, wherever possible, expressed quantitatively—such as in terms of production volume, labor hours, costs, revenues, or investments.
- ✓ Besides quantitative measures, qualitative standards may also be set to evaluate aspects like service quality or employee morale. The desired level of performance should be realistic, flexible, and expressed as a range (minimum to maximum).
- ✓ Control standards are most effective when tied to individual accountability. However, in complex cases where multiple individuals affect outcomes (e.g., inventory levels influenced by purchasing, production, and sales), standards should be assigned to each specific responsibility area.

#### **B. Measurement of Performance**

The next step involves measuring actual performance against the set standards. This measurement must be ongoing and predictive, aiming to detect deviations before they cause significant issues. Quantitative performance (e.g., sales volume, profit margins) is easier to measure. Qualitative performance (e.g., employee morale) may require specialized techniques like psychological tests or opinion surveys, relying on professional judgment and experience. According to Peter Drucker, effective measurement should be:

- ✓ Clear, simple, and rational,
- ✓ Relevant,
- ✓ Focused on directing efforts,
- ✓ Reliable and easily understood without complex interpretation.

### **C. Comparison Between Actual and Standard Performance**

This step involves two main activities:

- Identifying the extent of deviations,
- Analyzing the causes behind these deviations. With accurate standards and measurement, variations become evident. The degree of deviation and its acceptability depend on the nature of the work—for example, even minor deviations in engineering can be critical. Once deviations are identified, reports should be prepared summarizing performance versus standards, highlighting deviations and their causes. The responsibility for action lies primarily with the individual accountable for the performance, while summaries should be communicated to superiors for potential support, corrective guidance, or strategic planning adjustments.

### **D. Correction of Deviations**

The final step is to take corrective action to ensure the system or operation remains under control.

Since organizations are not self-regulating systems, management intervention is necessary.

Corrective actions may involve:

- ✓ Reviewing and revising goals or plans,
- ✓ Reassigning tasks,
- ✓ Modifying direction techniques,
- ✓ Changing organizational structures,

Providing additional resources or facilities.

Some argue that correcting deviations overlaps with other managerial functions. Koontz and O'Donnell emphasize that this overlap highlights the integrated nature of management work, reinforcing the idea of management as a unified and continuous process.

## **7.4.2 Technique of Controlling**

Some of these important control techniques are as under:

### **1. Budgeting or Budgetary Control**

Budgetary control is the process of comparing actual results with the budgeted figures set for a future period, and analyzing any variances that arise. Initially, budgets are prepared to forecast expected outcomes, and subsequently, actual results are recorded and evaluated.

The comparison between budgeted and actual figures enables management to identify discrepancies early and take corrective actions in a timely manner. Budgetary control is an ongoing, continuous process that aids in effective planning, coordination, and also acts as a vital method of managerial control.

In this context, the budget represents the plan, while budgetary control represents the means to ensure that the plan is achieved.

### **A. Definitions**

According to Brown and Howard, “Budgetary control is a system of controlling costs, which includes the preparation of budgets, coordination among departments, establishment of responsibilities, comparison of actual performance with the budgeted figures, and taking corrective actions to achieve maximum profitability.”

Weldon describes budgetary control as “planning in advance for the various functions of a business so that the business as a whole remains under control.”

Koontz and O’Donnell define budgets as “statements of anticipated results, either in financial terms (such as revenues, expenses, and capital budgets) or in non-financial terms (such as direct labor-hours, material usage, physical sales volume, or units of production).”

### **B. Objectives of Budgetary Control**

Budgetary control is essential for policy planning and control. It also acts as an instrument of co-ordination. The main objectives of budgetary control are the follows:

- ✓ To ensure planning for future by setting up various budgets, the requirements
- ✓ and expected performance of the enterprise are anticipated.
- ✓ To operate various cost centres and departments with efficiency and economy.
- ✓ Elimination of wastes and increase in profitability.
- ✓ To anticipate capital expenditure for future.
- ✓ To centralise the control system.
- ✓ Correction of deviations from the established standards.
- ✓ Fixation of responsibility of various individuals in the organization

### **C. Essentials of budgetary control**

There are certain steps which are necessary for the successful implementation budgetary control system. These are as follows:

- ✓ Organization for Budgetary Control
- ✓ Budget Centres
- ✓ Budget Manual
- ✓ Budget Officer
- ✓ Budget Committee
- ✓ Budget Period
- ✓ Determination of Key Factor.

## 2. Cost Accounting and Cost Control

Cost Accounting is primarily concerned with determining costs and estimating the likely cost of a process or product under current conditions. □

- Cost control involves monitoring expenses based on certain predetermined costs, commonly referred to as standard costs. These standards are set for the total cost as well as for individual components like materials, labor, and overheads.
- Thus, standard costing is a technique in cost accounting where standard costs are recorded and then compared with actual costs to identify the reasons for any variances.

Control through standard costing typically involves the following key steps:

- **Setting Standards:** Standards are established separately for each cost component (materials, labor, overheads). They can be based on past data or determined through engineering and experimental methods.
- **Determining Actual Costs:** Actual costs are collected from cost accounting records for comparison purposes.
- **Comparing Standard and Actual Costs:** A comparison is made between the two. If the variation is negligible or within acceptable limits, no further action is necessary.
- **Analyzing Variances:** If the variation exceeds the allowed limits, a detailed analysis is conducted to identify the reasons for the difference.
- **Taking Corrective Action:** Based on the identified causes, corrective measures are planned to minimize or eliminate such variances in the future.

## **ADVANTAGES OF CONTROL THROUGH STANDARD COSTING**

### **Provides a Basis for Measuring Operating Performance:**

Since standard costs are developed through the study of cost operations under existing conditions, they serve as indicators of weaker areas in the process. Efficiency or inefficiency can be easily identified by comparing actual costs with standard costs.

### **Enables Easy Comparability:**

By establishing standards, cost control can influence all aspects of operations. Measurement, comparison, and evaluation of current performance become more effective and structured.

### **Acts as an Economic Tool:**

Standard costing helps in reducing costs by controlling inefficiencies and minimizing unnecessary paperwork. It encourages the use of standard cost cards, which assist in arranging the required resources more efficiently.

### **Serves as a Basis for Budgeting:**

Budgets are often prepared based on standard costs. Thus, standard costing and budgeting together form a powerful control mechanism, making managers more cost-conscious.

### **Supports Incentive Wage Systems and Bonus Plans:**

Since standard costs are derived from careful analysis, they provide a solid foundation for work simplification, standardization, and the implementation of incentive wage systems and bonus plans.

### **Limitations of Standard Costing Control:**

- ✓ **Expensive and Complicated to Set Up:** Establishing standard costs requires maintaining double records (financial and cost accounting), which complicates record-keeping. As a result, the system may not be suitable for smaller organizations.
- ✓ **Requires Regular Revisions:** Business conditions are dynamic, but standard costs are often set based on specific circumstances. Therefore, regular updates are necessary, and standard costing is more suited to organizations operating under stable conditions with standardized mass production.
- ✓ **Subject to Limitations of Budgetary Control:** Since budgets are based on figures from standard costing, all the limitations associated with budgetary control also apply to cost control through standard costing.

### **3. Statistical Data/ Statistical Quality Control.**

Statistical data is widely used as an essential tool for managerial control.

It can be presented through statistical tables or graphical charts, but for the data to be truly meaningful, it must allow for easy comparison against predefined standards. Since past events cannot be changed, managers must

ensure that statistical reports accurately reflect trends, enabling viewers to easily understand how operations are progressing.

To achieve this, it's important to present data on charts using time averages, which help to smooth out fluctuations caused by accounting periods, seasonal factors, adjustments, and other time-based variations. The moving average method is one of the simplest and most effective tools for this purpose.

- ✓ Statistical analysis plays a critical role in managing countless aspects of business operations, such as:
- ✓ Production planning and control
- ✓ Quality control
- ✓ Inventory control

Using tools like averages, percentages, ratios, and correlations, statistical analysis helps highlight deviations from standards, allowing managers to take corrective actions promptly.

While statistical data and techniques are extensively applied—especially in quality control—managers must also be aware of their limitations. To ensure accuracy and reliability, it is highly advisable to seek the assistance of a qualified and trained statistician.

Statistical Quality Control (SQC) has become crucial in industrial technology, particularly in highly industrialized countries. Introduced by Walter S. Shewhart and Harold F. Dodge after World War I, SQC applies probability laws to control production quality. Its use gained momentum during World War II, especially in the U.S. military. SQC focuses on identifying both "Chance Cause Variation" and "Assignable Cause Variation," making it easier for industries to implement quality control at various production stages.

As defined by Alford and Beatty, "Statistical quality control (SQC) involves applying statistical methods based on probability theory to quality control problems, aiming to establish and maintain quality standards economically."

Key SQC techniques include:

### **1. Quality Control Charts**

### **2. Acceptance Sampling**

### **4. Special Reports and Analysis.**

Special reports and analysis serve a specific role in control purposes, addressing particular problem areas. While routine accounting and statistical

reports provide essential general control information, they may fall short when dealing with specific contingency problems. In such cases, an investigative group is tasked with thoroughly analyzing the issue and preparing a detailed report. These problems are typically non-routine in nature.

### **5. Personnel Observation.**

Though various devices of managerial control such as budgets, standard cost, statistical tools, audit reports and recommendations are quite helpful in managerial control, managers should not forget the importance of control through personal observation. Managers need to hold discussion with the persons whose work is being controlled and they should visit the actual operations. There are certain kinds of impressions and information that can be conveyed only through face-to-face contact, personal observation and conversation. When a man is new to the job, a supervisor will like to watch his work more closely than that of an experienced operator. Managers, after all, have responsibility of achieving organisational objectives, whatever control devices they may use. This largely involves measuring of human performance. Thus, the success of personal observation as a control method depends upon how much information a manager can collect through this process.

### **6. Internal or Operational Audit/Management Audit.**

Internal audit, now commonly referred to as operational audit, serves as a valuable tool for managerial control. It is conducted either by managers themselves or by designated staff members. Unlike external audits, which focus solely on financial matters, internal audits are broader in scope and cover a wide range of activities within the organization. Beyond ensuring that financial accounts accurately reflect reality, internal audits assess policies, procedures, authority usage, management quality, operational effectiveness, special issues, and various operational aspects— with greater emphasis on these latter elements in modern internal audits. However, expanding the scope of internal audits in these areas presents challenges due to the organization's limited resources.

Internal audits provide managers with a constant stream of control information. By evaluating performance against established standards, internal audits offer actionable recommendations for managerial decisions. They also examine the relevance and applicability of policies, procedures, and methods, which can become outdated over time. This evaluation aids in selecting more effective work processes and methods. The presence of internal audits also boosts morale and encourages better performance, as employees are aware that

their actions could be scrutinized by management, motivating them to avoid mistakes.

Despite its advantages, internal auditing has its limitations. Implementing and maintaining an internal audit system can incur significant costs, which may be too high for smaller organizations. At times, the findings of the internal audit team may be dismissed by managers due to perceived deficiencies. Additionally, auditors often approach business operations from an accounting perspective, which can restrict the audit's scope and lead to erroneous conclusions. However, in recent years, the internal audit function has been enhanced by establishing centralized audit units that provide managers with more comprehensive control information. Managing such a unit requires more than just accounting expertise; managerial skills and experience are increasingly prioritized. To minimize accounting bias, many organizations now select internal auditors from the ranks of line managers.

## **7. Break Even Analysis**

Break-even analysis is an important management control tool used to determine the point at which a project's revenues cover its costs. It helps in making initial project decisions and serves as a financial control method by highlighting changes in conditions such as material costs, demand, or pricing, which can shift the breakeven point. If such changes occur, management may reconsider or cancel the project to avoid losses.

### **Break-even Chart:**

Businesses aim to know when their sales will cover all fixed and variable costs — this is the breakeven point. Break-even analysis, also known as cost-volume-profit analysis, helps firms clearly see the relationship between revenues and costs at different output levels. It uses concepts from variable budgeting and shows, often through a diagram, the sales volume at which total revenues equal total costs, resulting in neither profit nor loss.

### **Calculating the BEP:**

The breakeven point (BEP) is where total revenue matches total costs (both fixed and variable), as shown in a standard break-even chart.

## **8. Programme Evaluation and Review Technique (PERT) and Critical Path**

Network analysis is a method used for planning and controlling project activities. It involves breaking a project into smaller tasks, arranging them in a

logical sequence, and deciding the order of operations. A network diagram is then created to illustrate the relationships between activities, highlighting any gaps in the workflow.

The diagram shows the interdependence of tasks and identifies which activities must be completed before others can begin. The main goal of network analysis is to assist in planning, organizing, and controlling operations to complete projects efficiently and economically. The most widely used network techniques include:

- PERT (Programme Evaluation and Review Technique)
- B. C.P.M. (Critical Path Method)

## 9. MANAGEMENT INFORMATION SYSTEM (MIS)

Management Information System (MIS) is a computer-based system designed to provide information and support for effective managerial decision-making. Since decision-makers need accurate, timely, and up-to-date information, MIS plays a crucial role by systematically processing the large amounts of data generated within an organization. Thus, MIS serves not only as an important communication tool for managers but also as a key control mechanism, offering timely data that allows managers to take corrective actions when deviations from standards occur.

### A. Definitions:

- **Walter I. Kennevan:** *MIS is a formal method of collecting timely and organized information to facilitate effective decision-making and implementation, supporting the achievement of organizational goals.*
- **Schwartz:** *MIS consists of people, equipment, procedures, documents, and communications that collect, validate, process, store, retrieve, and present data for planning, budgeting, accounting, controlling, and other management processes.*
- **F.B. Cornish:** *MIS is structured to deliver information whenever and wherever needed, acting as the internal communication network that provides the intelligence necessary for planning, executing, and controlling operations.*
- **Canth:** *MIS sees the business organization as a unified entity made up of interconnected subsystems, working together to provide timely and accurate information for decision-making and achieving enterprise goals.*

- **Jerome Ranter:** *MIS is a system that assists management in making, executing, and controlling decisions.*

### **B. Advantages of MIS:**

1. Facilitates the collection, management, and distribution of information across all levels and departments of the organization.
2. Supports planning, decision-making, and controlling processes at every level of management.
3. Enhances the quality and reliability of information available to managers.
4. Promotes cost-effective information management.
5. Reduces information overload by delivering only relevant and necessary information to managers.

### **10.All these techniques of control are explained below:**

#### **Characteristics of MIS**

A Management Information System (MIS) is established within an organization to provide relevant information that enables managers to operate effectively and efficiently. To achieve this purpose, an MIS should possess the following characteristics:

1. **Management-Oriented:** MIS is designed from the top down, focusing on the information needs of management at various levels.
2. **Management-Directed:** Management is actively involved in designing, reviewing, and upgrading the system to ensure it meets their expectations.
3. **Integrated System:** MIS integrates operational and functional activities, ensuring managers receive comprehensive information from across the organization.
4. **Common Data Flows:** MIS manages data systematically, reducing duplication and redundancy, and simplifying operations.
5. **Strategic Planning:** MIS development requires extensive planning to ensure it meets both current and future information needs, preventing early obsolescence.
6. **Composed of Subsystems:** Though viewed as a single entity, MIS should be broken into manageable subsystems for prioritized implementation and easier management.

7. **Flexibility:** MIS must be adaptable to future changes, especially in industries experiencing rapid development, ensuring its long-term relevance.

### **Essentials of a Good MIS**

For an MIS to effectively support decision-making, it must meet the following requirements:

- ✓ Aid in evaluating managers' performance relative to organizational goals.
- ✓ Follow systematic procedures for collecting, processing, and disseminating accurate and consistent information.
- ✓ Focus on collecting only relevant data to avoid unnecessary processing.
- ✓ Provide timely information, as delayed information loses its value.
- ✓ Present information in a format that facilitates rational decision-making.
- ✓ Be flexible to accommodate necessary changes over time.
- ✓ Recognize both functional and personal relationships within the organization.

### **Objectives of MIS**

The main objectives of a Management Information System are:

1. **Support Effective Planning and Control:** MIS assists management in planning and executing activities efficiently by providing timely information.
2. **Performance Reporting:** MIS generates reports to evaluate the performance of people, materials, machinery, money, and overall management.
3. **Cost Control:** It highlights issues like idle time, labor turnover, wastages, and surplus capacities, helping management control costs.
4. **Variance Analysis:** By comparing actual performance to standards and budgets, MIS identifies variances and suggests corrective actions.
5. **Strength Identification:** MIS identifies organizational strengths to help management capitalize on opportunities.

6. **Quality and Cost Monitoring:** It provides data on production defects, spoilage, and their impacts on cost and product quality.

### **7.5 Relationships between Planning and Controlling**

Planning and controlling are two distinct yet closely connected functions of management. While planning occurs at the beginning of the management process, controlling is required at the later stages. Simply put, **planning is looking ahead**, while **controlling is looking back**.

Though separate, their scopes overlap significantly. Without planning, controlling has no foundation; and without controlling, planning becomes meaningless. Together, they reinforce and strengthen each other.

According to Billy Goetz, the relationship between planning and controlling can be summarized as follows:

- ✓ **Planning precedes controlling, and controlling follows planning.**
- ✓ **Planning and controlling are inseparable**—both are essential components of management.
- ✓ **Planning puts activities on track, and controlling ensures they stay on track.**
- ✓ **Both follow a systems approach:** *Planning → Results → Corrective Action*
- ✓ **Planning and controlling are integral to an organization**, ensuring smooth operations and achievement of goals.
- ✓ **Planning initiates action, while controlling monitors it** at every stage, making them mutually dependent and interconnected.

## **7.6 Summary**

Controlling is the process of ensuring that actual activities align with the planned objectives. Its importance lies in helping organizations achieve their goals effectively. Controlling enables the verification of standards, ensures efficient resource utilization, enhances employee morale, fosters order and discipline, and coordinates various activities to move together toward common targets.

However, controlling has certain limitations. Organizations often cannot control external factors. Additionally, control systems may face resistance from employees and can be costly to implement, particularly for smaller firms. Furthermore, in some cases, setting precise quantitative standards is difficult, reducing the effectiveness of control measures.

The control process typically involves:

- ✓ Setting performance standards,
- ✓ Measuring actual performance,
- ✓ Comparing performance against standards,
- ✓ Analyzing deviations, and
- ✓ Taking corrective actions.

Traditional control techniques include personal observation, statistical reports and analysis, break-even analysis, and budgetary control. Modern techniques involve internal (operational) audit, management audit, PERT and CPM, and Management Information Systems (MIS).

Planning and controlling are inseparable elements of management. Planning initiates the management process by setting objectives, while controlling ensures their achievement. Without control, even the best plans risk going off course.

## **7.7 Suggested Readings**

1. Management and Organization : Louis A. Allen
2. Management and Organizational Behaviour : Laurie J. Mullins
3. Principles of Management : Prakash Chandra Tripathi
4. Principles of Management : K. Anbuvelan

# LEADERSHIP AND MOTIVATION

## STRUCTURE

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## 8.1 Introduction

Leadership is a familiar concept, but few truly master it. People differ not only in their abilities but also in their willingness to act. Hard work often outweighs natural talent, as highlighted by Einstein's idea that success is mostly about effort. Motivation — the drive to act — has deep historical roots, appearing in early Greek and Indian philosophies. Ancient views like hedonism suggested people act for pleasure, but this theory fails to explain selfless actions. In the late 19th and early 20th centuries, thinkers like William James and Sigmund Freud emphasized instincts and unconscious motives as major forces behind human behavior. Although these early ideas were insightful, modern psychology sees motivation as a complex mix of cognitive and environmental factors.

In this lesson, we'll dive into leadership traits and skills, explore leadership theories and styles, and understand the evolution and theories of motivation.

## 8.2 Objectives

After reading this lesson you would be able:

- ✓ To know about the concept of leadership and motivation
- ✓ To examine the significance of these two concepts in motivation
- ✓ To explain various motivation theories
- ✓ To describe the various leadership styles.

## 8.3 Concept of Leadership

Defining leadership isn't as simple as it seems — a quick Google search shows millions of different views. Dictionaries offer basic meanings, like guiding or directing a group, but leadership goes far deeper. Since the early 20th century, many theorists, including Dr. Bernard Bass, have pointed out that there are countless definitions. Some see leadership as guiding teams, while others view it as empowering individuals. Popular definitions agree on a few key ideas: leadership involves influencing others, motivating them to give their best, and working toward shared goals. However, leadership is **not** about holding a title or position of power. Good leadership is about positive influence — though history reminds us it can be used for both good and bad purposes.

In the next sections, we'll dive deeper into leadership theories and explore how leadership can be expressed in different styles!

### 8.3.1 Difference between Leadership and Motivation

Leadership and management are often confused, but they are quite different!

Leadership is about inspiring and guiding people toward a new goal or vision. It focuses on change, motivation, and empowering the team to achieve more. Leadership looks to the future and asks, *"Where are we going?"*

Management, on the other hand, is about organizing, planning, and maintaining the current situation. Managers focus on processes, tasks, and using resources efficiently. Management asks, *"How can we best handle what we have today?"*

John Kotter explains it well:

- ✓ **Management** keeps the organization running smoothly today (planning, budgeting, solving problems).
- ✓ **Leadership** aligns people with a vision, motivates them, and inspires action toward future goals.

In communication, management tends to be task-focused, while leadership focuses on people and building commitment. Also, leaders often take full responsibility for success or failure, while managers might share accountability with the team.

**Important:** Good leaders usually need some management skills, and good managers can show leadership too!

### 8.3.2 Features of Leadership

Here's what makes leadership special:

- **Influencing Others:** Leadership is the ability to guide and influence others' behavior toward achieving a common goal.
- **Interpersonal Process:** It's all about the relationship between the leader and followers — strong connections lead to better results.
- **Achieving Common Goals:** Leaders bring people together to work towards shared organizational objectives.
- **Continuous Process:** Leadership doesn't stop — leaders must constantly guide and monitor their teams.
- **Group Activity:** Leadership always involves a group; no leader can exist without followers.
- **Situation-Dependent:** Leadership style depends on the situation — there's no one "perfect" way to lead!

### 8.3.3 Traits of Leadership

Great leaders aren't born — they are made through focus and learning!  
Here are the key leadership traits:

- **Awareness:** Leaders must understand themselves, others, and their environment clearly.
- **Confidence:** Believing in yourself and your vision builds trust and inspires others.
- **Empathy:** Great leaders care about their team's growth and well-being.
- **Humility:** True leaders recognize they owe their success to teamwork and aren't afraid to admit mistakes.
- **Honesty:** Being open, truthful, and transparent strengthens trust.
- **Conviction:** Strong belief in the vision helps leaders push through challenges without being stubborn.
- **Flexibility:** Good leaders adapt to change and adjust their strategies when needed.
- **Assertiveness:** Communicating clearly and standing firm without being aggressive is key.
- **Inspiration:** The heart of leadership is inspiring others to believe in and work toward a better future!

### 8.3.4 Importance of Leadership

Leadership plays a pivotal role in determining the success or failure of a team. History is full of examples highlighting both the positive and negative impacts of leadership. For instance, Martin Luther King was able to transform society through his powerful vision and ability to inspire people, while leaders like Joseph Stalin brought destruction. Regardless of the outcome, leadership is undeniably influential. Leadership is crucial because:

- ✓ **Provides a Vision** – A clear vision guides the organization towards its goals.
- ✓ **Shows Direction** – A strong vision keeps the organization on track and moving forward.

- ✓ **Initiates Action** – Leadership drives the organization by creating a roadmap and motivating action.
- ✓ **Supplies Guidance** – It offers support and instructions to help people take the right steps.
- ✓ **Shapes Organizational Culture** – Leadership creates a cohesive culture, ensuring consistency within the organization.
- ✓ **Builds Confidence** – A well-defined vision and plan instill confidence within the team.
- ✓ **Grants Motivation** – Leadership provides incentives and creates an environment where people are motivated to follow.
- ✓ **Attracts Talent** – By offering challenges and appreciation, leadership attracts skilled individuals who contribute to the organization's success.

### 8.3.5 Leadership Skills

Effective leadership requires a set of core skills that motivate and inspire people to follow a vision. The five key skills integral to strong leadership are:

- A. **People Skills** Leadership is about attracting people to your vision and guiding them toward achieving organizational goals. Key elements include:
  - ✓ **Delegation:** Leaders must assign responsibilities effectively and guide individuals toward success.
  - ✓ **Feedback:** Providing and receiving feedback is essential for improvement.
  - ✓ **Understanding Behavior:** Recognizing emotions and guiding behavior positively is crucial.
    - **Teamwork:** Leaders must collaborate as part of a team, not just direct others.
- B. **Communication** Leaders must be excellent communicators, able to inspire and connect with others. Effective communication goes beyond speaking and includes listening, negotiating, and fostering meaningful relationships.
- C. **Decision-Making** Leaders must make informed, confident decisions, often under pressure. While emotions can cloud judgment, strong leaders

rely on logical reasoning and sometimes intuition to make the best choices for the organization.

**D. Problem-Solving** Solving problems efficiently is key to moving an organization forward. The process includes:

- ✓ Identifying the problem clearly.
- ✓ Structuring the problem to break it into manageable pieces.
- ✓ Seeking solutions, drawing on expertise and collaboration.
- ✓ Making decisions based on the best available options.
- ✓ Implementing solutions and monitoring progress.

**E. Strategic Thinking** Strategic thinking is about balancing long-term goals with short-term actions. It involves:

- ✓ Assessing your current position.
- ✓ Visualizing the desired position.
- ✓ Identifying key factors for success.
- ✓ Creating a plan with steps and milestones to reach goals.

### 8.3.6 Leadership Theories

The study of leadership has evolved over the years, with various theories emerging to explain the traits, behaviors, and strategies that make leaders effective. Here are some of the most prominent leadership theories:

1. **The Great Man Theory** This early theory, popular in the 19th century, suggests that great leaders are born, not made. According to this theory, leadership qualities are innate, and only certain individuals possess the inherent traits necessary to lead. It was championed by Thomas Carlyle, who argued that leadership was a divine gift. However, this theory faced criticism for its exclusion of women and its lack of scientific foundation.
2. **Trait Theories** Similar to the Great Man Theory, trait theories propose that certain qualities, such as intelligence, responsibility, and innovation, make a leader effective. However, unlike the Great Man Theory, trait theories suggest that these qualities can be developed, making leadership accessible to anyone. Despite its popularity, no conclusive evidence proves that having a specific set of traits guarantees effective leadership.

3. **Behavioural Theories** Moving beyond traits, behavioral theories focus on the actions and behaviors of effective leaders. Kurt Lewin identified three leadership styles: authoritarian, participative, and democratic. These theories recognize that leadership skills can be developed and improved. However, behavioral theories have been criticized for assuming that a specific behavior will always work in all situations, which is not always the case.
4. **Contingency Theories** These theories emphasize the role of context and suggest that the effectiveness of a leadership style depends on the situation. Leaders may perform well in one scenario but poorly in another. Contingency theories, such as the Cognitive Resource Theory and Situational Leadership, argue that personal characteristics and leadership styles must align with the environment for optimal effectiveness.
5. **Transactional Theories** Focused on the exchange between leaders and followers, transactional theories examine how rewards and punishments motivate subordinates. This theory suggests that effective leadership depends on managing these transactions to align the organization's goals with the followers' needs. Critics argue that transactional leadership often overlooks intrinsic motivation and focuses too heavily on external rewards.
6. **Transformational Theories** Transformational leadership emphasizes the relationship between leaders and followers, aiming to inspire and transform followers into more engaged, motivated individuals. Leaders who practice transformational leadership are charismatic, set high expectations, and foster trust. This approach is holistic and focuses on both achieving organizational goals and developing the potential of followers. Key figures in this theory include James McGregor Burns and Bernard Bass.

In summary, these theories highlight different aspects of leadership, from inherent traits and behaviors to the impact of situational factors and the importance of relationships with followers. Each theory offers valuable insights into what makes leadership effective, with some focusing on qualities, others on behaviors, and still others on the dynamics between leaders and their teams.

### 8.3.7 Leadership Styles

Leadership styles refer to the ways in which leaders interact with their teams and make decisions. These styles reflect the behaviors and approaches leaders take

under specific leadership theories. Kurt Lewin's framework, developed in the 1930s, laid the foundation for understanding leadership styles, and he identified three core styles:

- **Autocratic Leadership** In this style, the leader makes decisions unilaterally, without consulting or involving the team. While efficient, especially in crises or when the leader possesses critical knowledge that subordinates do not, autocratic leadership can lead to low morale and high staff turnover. It is effective when quick decisions are necessary or when the leader has the expertise to guide the team independently.
- **Democratic Leadership** Democratic leadership involves a more participative approach. While the leader retains the final decision-making authority, subordinates are encouraged to provide input and collaborate in decision-making processes. This style fosters higher morale and lower turnover by valuing team engagement. However, it can slow down decision-making processes, and sometimes, subordinates may lack the necessary understanding of complex issues, affecting the decision's quality.
- **Laissez-Faire Leadership** This style gives subordinates full autonomy in determining how to achieve the set vision. The leader's role is to provide resources and guidance when needed but not to direct the team's actions. This style can enhance job satisfaction, particularly in experienced and motivated teams, but it can also lead to a lack of direction, especially in less experienced teams, creating potential organizational challenges.

These three leadership styles—autocratic, democratic, and laissez-faire—each have distinct advantages and drawbacks, and the choice of style often depends on the situation, the team's capabilities, and the leader's approach to decision-making and team dynamics.

### 8.3.8 Difference between Leadership Style and Leadership Traits

In small businesses, leadership plays a crucial role in shaping the work environment and influencing overall business performance. The actions, decisions, and leadership styles of managers and supervisors not only foster a positive atmosphere but can also directly impact the business's success.

#### Leadership Style vs. Leadership Traits

Although similar, leadership styles and traits differ in focus and impact:

- **Leadership Style** refers to the methods a leader uses to manage and guide their team. It involves the approaches they take to make decisions, solve

problems, and interact with their employees. Leadership styles can be autocratic, democratic, participative, bureaucratic, or laissez-faire, each suited to different organizational needs and environments.

- **Leadership Traits** refer to the inherent characteristics and qualities that define an effective leader. These include physical, emotional, social, and intellectual traits such as self-confidence, ambition, communication skills, and the ability to motivate and multitask. These traits help shape the leadership style and determine how well a leader can inspire and manage a team.

### Different Leadership Styles

- **Autocratic Leadership** In an autocratic style, leaders have complete control and make decisions without consulting their team. This style is efficient for quick decision-making but can negatively impact employee morale and autonomy over time.
- **Democratic Leadership** A democratic leader encourages input from team members and values their feedback in decision-making. This style fosters employee involvement, improves morale, and can lead to better ideas, but may slow decision-making processes.
- **Bureaucratic Leadership** This style emphasizes adherence to strict rules, procedures, and policies. It's effective in environments where safety or regulatory compliance is critical, such as construction sites or healthcare, where following specific protocols is vital.
- **Laissez-Faire Leadership** Under this style, leaders offer minimal guidance and allow employees to manage their tasks independently. While it can increase job satisfaction among self-motivated employees, it may lead to confusion and inefficiency in teams requiring more structure.
- **Importance of Leadership Traits** Effective leadership traits are crucial for executing various leadership styles successfully. Traits like self-confidence, energy, communication skills, and the ability to motivate others help leaders adapt their approach based on the needs of the business and its employees. For instance, an effective leader may combine traits like confidence and strong decision-making with a leadership style suited to the company's objectives, whether that's ensuring safety or fostering innovation
- **Considerations for Choosing Leadership Styles** Choosing the right leadership style depends on the specific needs of the business. For example, a construction manager may require a more **bureaucratic leadership style** due to the importance of following safety protocols, while a creative or tech-

based team might thrive under a more **democratic or laissez-faire style** where innovation and autonomy are encouraged. Having a variety of leadership styles throughout the organization can help ensure that each department or team operates efficiently and aligns with company goals.

Ultimately, both leadership traits and styles are essential in creating a thriving workplace. Effective managers adapt their approach to meet the demands of their business while utilizing the traits that best suit their leadership role.

#### **8.4 Concept of Motivation**

Motivation is a key factor in productivity within industries. It involves creating a desire in employees to perform better. While you can buy an employee's physical presence at the workplace for a certain time, you cannot buy their willingness to work. The difference between the ability to work and the willingness to work is what leads to better results. Therefore, motivation is an essential function of a manager, as they must inspire employees to work effectively and efficiently to achieve the organization's goals.

##### **8.4.1 Objectives**

A motive is an internal state that energizes, activates, and directs behavior towards achieving goals. According to W.A. Scott, motivation is the process of stimulating people to take action to accomplish desired goals. It can also be defined as the willingness to put in effort to achieve goals and receive rewards.

Motivation is a key responsibility of managers. They must inspire their subordinates to perform at a high level and contribute positively towards achieving the organization's objectives. An individual's job performance depends on motivation, ability, and the surrounding environment. The performance relationship can be expressed as:

$$P = F [M, A \& E]$$

##### **Where:**

- P = Performance
- M = Motivation
- A = Ability
- E = Environment

For an employee to reach high performance, they need to be equipped with the right resources, tools, and processes. It's the manager's role to ensure that all three elements—motivation, ability, and environment—are provided.

Motivation helps create an environment where employees can:

- ✓ Take initiative
- ✓ Show curiosity and dynamism
- ✓ Work willingly and cooperatively
- ✓ Follow disciplined work practices
- ✓ Take interest in their tasks
- ✓ Stay dynamic and enthusiastic
- ✓ Be responsible and loyal
- ✓ Take pride in their job
- ✓ Experience job satisfaction
- ✓ Enjoy personal and group morale satisfaction
- ✓ Contribute their best towards personal and organizational objectives.

#### 8.4.2 Types of Motivation

##### A. Positive and Negative Motivation:

- ✓ **Positive Motivation:** This type influences employees through rewards such as bonuses, promotions, permanent settlements, improved working conditions, etc.
- ✓ **Negative Motivation:** This type relies on fear, such as the threat of fines, discharge, or layoffs, to encourage desired behavior.

##### B. Financial and Non-Financial Motivation:

- ✓ **Financial Motivation:** This involves monetary rewards, including wages, salaries, bonuses, and retirement benefits.
- ✓ **Non-Financial Motivation:** This is not associated with money. It includes ego satisfaction, involvement in decision-making processes, providing good working conditions, and increasing responsibilities.

##### C. Primary and Secondary Motivation:

- ✓ **Primary Motivation:** Focuses on satisfying basic human needs, such as food, shelter, and safety.

- ✓ **Secondary Motivation:** Addresses social needs and self-actualization, such as achieving personal goals, recognition, and social status.

#### 8.4.3.Theories of Motivation

Maslow's Hierarchy of Needs Theory: Abraham Maslow's theory identifies a hierarchy of human needs, which drive behavior and motivation. His theory suggests that individuals have certain needs that must be satisfied in a specific order, starting with basic physical needs and progressing toward higher psychological needs. Maslow's hierarchy includes the following stages:

- **Physiological Needs:** Basic survival needs like food, water, shelter, and air.
- **Safety Needs:** Security needs such as financial security, job security, and protection from physical harm.
- **Social Needs:** The need for love, affection, belonging, and social security. These are met through relationships and social interactions.
- **Esteem Needs:** The need for respect, recognition, status, and achievement. This includes internal esteem (self-respect) and external esteem (recognition from others).
- **Self-Actualization:** The highest level of need, where an individual seeks personal growth, self-fulfillment, and realization of their full potential.

#### Limitations of Maslow's Theory:

- ✓ It's a general framework, not specific to all situations.
- ✓ The levels of the hierarchy are not always fixed, with overlapping boundaries.
- ✓ Individuals do not experience needs in isolation; they may simultaneously address multiple needs.

Herzberg's Two-Factor Theory: Frederick Herzberg built upon Maslow's theory and developed the Two-Factor Theory. According to Herzberg, there are two types of factors that influence motivation:

- ✓ **Hygiene Factors:** These are essential to avoid dissatisfaction but do not necessarily motivate individuals. They include company policies, salary, working conditions, job security, and relationships with supervisors.
- ✓ **Motivators:** These factors directly contribute to higher job satisfaction and motivation. They include opportunities for achievement, recognition, personal growth, and increased responsibility.

- **Merits:**
  - ✓ Job enrichment (introducing more challenging tasks) can enhance job satisfaction.
  - ✓ It emphasizes employee autonomy and responsibility.
- **Demerits:**
  - ✓ The theory was based on a limited sample (200 engineers and accountants).
  - ✓ It doesn't fully explain how motivation occurs and lacks a comprehensive description of motivational factors.

McGregor's Theory X and Theory Y: Douglas McGregor proposed two contrasting views on human behavior in organizations:

- ✓ **Theory X:** Assumes that employees dislike work, lack ambition, and need to be controlled and directed.
- ✓ **Theory Y:** Assumes that employees enjoy work, seek responsibility, and are motivated by higher-level needs like personal growth and self-actualization.
- **Difference Between Theory X and Theory Y:**
  - ✓ **Theory X** sees employees as inherently lazy and needing constant supervision, while **Theory Y** views employees as self-motivated and capable of creativity.
  - ✓ **Theory X** uses a more authoritarian approach, whereas **Theory Y** fosters a participative approach to management.

**McClelland's Theory of Motivation:** David McClelland focused on three primary needs that motivate individuals:

- ✓ **Need for Power:** The desire to influence, control, or lead others.
- ✓ **Need for Achievement:** The desire for success, accomplishment, and setting and achieving challenging goals.
- ✓ **Need for Affiliation:** The desire for social connections, belonging, and being part of a group.

**Limitations:**

- ✓ Achievement motivation can be difficult to teach and is time-consuming to develop.
- ✓ The evidence supporting this theory is not always conclusive.

**Vroom's Expectancy Theory:** Victor Vroom's Expectancy Theory states that people's motivation is based on the expected outcomes of their actions.

Motivation is influenced by the perceived likelihood that their efforts will lead to a desired outcome and the value they place on that outcome.

**Formula:**

**Force = Valence \* Expectancy**

Where:

- ✓ **Force** is the strength of motivation.
- ✓ **Valence** is the value placed on the outcome.
- ✓ **Expectancy** is the belief that effort will lead to the desired result.

**Equity Theory:** Developed by J. Stacy Adams, Equity Theory focuses on fairness in reward structures. Employees assess their contributions and the rewards they receive in comparison to others. If they perceive unfairness, it can lead to dissatisfaction, reduced performance, or leaving the organization.

**Reinforcement Theory:** B.F. Skinner's theory of reinforcement emphasizes the role of positive and negative reinforcement in motivating behavior. Positive reinforcement encourages desired behavior by providing rewards, while negative reinforcement discourages undesired behavior by imposing penalties. This theory focuses on changing behavior through the design of work environments and rewards for performance.

**Strengths:**

- ✓ It encourages employee participation and provides regular feedback on performance.
- ✓ Effective for increasing motivation in certain organizational contexts.

#### 8.4.4 Techniques of Motivation

- **Money**

- ✓ Money is a good technique of motivation in any form. Money is important.
- ✓ Money is an urgent means of achieving a good standard of living. Money as a motivator tends to be less by offering similar salaries

to various managers. It is a monetary revote leads to increase in the performance. It is the most affecting motivator.

- **Participation**

- ✓ The right kind of participation yield motivation. It gives people a sense of accomplishment. Workers participation in decision making act as a good motivator.

- **Quality of working life**

- ✓ QWC This program is a system approach to job decision. It promises development in the job enrichment. It is a broad approach.

### **8.5 Let Us Sum Up**

Motivation is a crucial aspect of management, as it influences the drive and behavior of employees towards achieving organizational goals. Various theories have been developed to understand what motivates individuals at work. McGregor's Theory X and Theory Y suggest that managers' assumptions about human nature can influence their approach to leadership. While Theory X assumes employees dislike work and need control, Theory Y believes that employees are self-motivated and seek responsibility. Maslow's Hierarchy of Needs highlights that individuals have a series of needs, from basic physiological needs to self-actualization, and once lower-level needs are satisfied, they seek higher-level fulfillment. Herzberg's Two-Factor Theory distinguishes between hygiene factors, which prevent dissatisfaction, and motivators, which lead to job satisfaction. Vroom's Expectancy Theory emphasizes that motivation is influenced by the perceived value of outcomes and the belief that effort will lead to success. Equity Theory focuses on fairness, with employees motivated by the perceived fairness of rewards in relation to their input. Lastly, Reinforcement Theory suggests that positive behaviors should be reinforced with rewards, while negative behaviors should be addressed with corrective measures. These theories provide valuable insights into how managers can effectively motivate employees and enhance productivity in the workplace.

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# Management Information System

## S T R U C T U R E

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## 9.1 Introduction

Management Information System (MIS) refers to the study of people, technology, organizations, and the relationships among them, offering a comprehensive perspective on how information systems are integrated into businesses. In more specific terms, MIS is a software system designed to manage and streamline information technology, thereby improving the efficiency and effectiveness of decision-making processes within an organization. This concept is not only central to academic studies in business but also intersects with areas such as information systems, information technology, informatics, e-commerce, and computer science. In this unit, we will explore the fundamental concepts of Management Information Systems and their role in supporting organizational goals and decision-making.

## 9.2 Objectives

After going through this unit you should be able to:

- Know the fundamental management concepts
- Understand the basic concepts of Information Systems
- Understand and apply core knowledge in Information Systems
- Identify and analyze requirements for information systems
- Understand and apply design principles in Information Systems.
- Identify the basic components of Management Information Systems.
- Conceptualize information systems as combinations of hardware and software combinations of hardware and software technologies.
- Know the applications of information systems in various levels of Management

## 9.3 Basic Concepts

Management Information System (MIS) is a combination of three distinct concepts: management, information, and system, each of which plays a critical role in its function.

- ✓ **Management:** Management can be defined in several ways, such as "Manage Man Tactfully" or "the art of getting things done by others." In the context of MIS, management refers to the processes and activities that a manager performs to operate and oversee the functioning of an organization. These activities typically include planning, organizing, directing, and controlling operations to ensure efficiency and goal achievement.
- ✓ **Information:** Information is the result of processed data. In simpler terms, it refers to data that has been organized and converted into a meaningful and useful form, tailored for a specific user. This makes the data actionable and helps in informed decision-making.

- ✓ System: A system can be described as a set of elements that work together to achieve a common objective. It involves a group of interrelated components that function as a unified whole, such as a business organization. A system typically accepts input, processes it, and produces output through an organized transformation process, aiming for a common goal.

Thus, MIS integrates these elements to facilitate the effective management **of information and support decision-making processes within organizations.**

#### **9.4 Overview of management concepts**

Every business unit has its own set of objectives, which can only be achieved through the coordinated efforts of various personnel. These individuals work together in a unified manner to meet the organization's goals, and this is facilitated through the process of management.

Management is a critical aspect of economic life, involving organized group activities. It is an essential institution in modern society, driven by scientific thought and technological innovations. Regardless of the field, form, or industry, management is indispensable when human efforts are pooled together to satisfy needs through productive activities, occupations, or professions. It is through effective management that the use of material resources is regulated, ensuring that they transform from mere resources into actual production.

In essence, management is the integrating force in any organized activity. Whenever two or more individuals collaborate to achieve a common goal, they must coordinate their efforts, organize their resources efficiently, and optimize their collective output.

Management is commonly defined as the process of planning, directing, and controlling business operations. It involves the allocation and organization of inputs, including human and economic resources, to produce goods or services that meet customer demands. This is done to ensure that the objectives of the organization are achieved effectively and efficiently.

#### **9.5 Functions of Management**

Management is often defined as the process of getting things done through others. This process involves a series of functions performed by managers to achieve the goals of the organization. A manager is responsible for defining, planning, guiding, helping, and assessing the work of others—often people for whom the manager is accountable. The following are the core functions of management, each involving creative problem-solving.

|                    |  |
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| <b>Planning</b>    | Planning is the first and most fundamental function of management. According to Terry and Franklin, "planning is selecting information and making assumptions concerning the future to put together the activities necessary to achieve organizational objectives." It involves setting goals, determining the necessary steps, and establishing a strategy for achieving those goals. Planning can vary from the broadest view of the organization (e.g., defining its mission) to the most specific (e.g., creating tactics for achieving particular objectives). Effective planning is crucial for the long-term success of any organization.   |
| <b>Organizing</b>  | Organizing is the process of structuring resources and activities to achieve the organization's goals. This includes classifying and categorizing objectives, grouping related activities, assigning each group to a manager with the appropriate authority, and ensuring coordination across the organizational structure. Organizing focuses on the division of tasks, coordination, and control within the organization. It is at this stage that managers allocate authority to individuals or teams, making sure resources are utilized efficiently to meet objectives  |
| <b>Directing</b>   | Directing involves motivating, guiding, and overseeing the efforts of people to ensure that they meet organizational objectives. It is the function where managers give clear instructions and ensure that employees carry them out effectively. This includes assigning tasks, establishing procedures, correcting mistakes, providing on-the-job training, and issuing orders. The ultimate goal of directing is to control the behavior of employees in a way that aligns with the organization's goals while also supporting their personal career development.  |
| <b>Staffing</b>    | Staffing refers to the function of ensuring that the organization is properly staffed with qualified individuals. This includes activities like recruitment, training, performance evaluation, and compensation. Staffing ensures that the right people are in the right roles and that their skills and capabilities match the organization's needs. It also involves ongoing development of the workforce to maintain a competent and motivated team.  |
| <b>Controlling</b> | Controlling is the process of monitoring and evaluating performance to ensure that it aligns with the goals and objectives set during the planning phase. According to the definition, "control is the course of action that measures present performance and guides it towards some predetermined goal." In this function, managers assess current performance, identify any deviations from the desired results, and make adjustments to ensure that objectives are met. Effective control helps keep the organization on track and ensures that resources are used efficiently.<br>Each of these management functions—planning, organizing, directing, staffing, and controlling—plays a vital role in helping an organization achieve its goals and objectives. They work together to create a well-organized and efficient process for achieving success. |

## 9.6 Levels of Management:

Management in an organization is typically divided into three distinct levels, each with its own responsibilities and objectives. These levels are:

**Top Level Management** Top-level management includes the highest-ranking executives in an organization, such as the Board of Directors, Managing Directors, and Executive Committee members. This level is responsible for overseeing the entire organization and making strategic decisions that influence its long-term direction.

### Objectives of Top Level Management:

- ✓ Setting key organizational objectives and policies that will guide the overall direction of the business.
- ✓ Identifying the critical factors that are necessary for the development and growth of the organization.

- ✓ Appointing top-level managers and departmental heads.
- ✓ Reviewing and assessing the performance of the various levels of management within the organization.

**Middle Level Management** Middle-level management consists of departmental managers and supervisors who are responsible for implementing the policies and strategies developed by top-level management. These managers typically oversee specific departments such as production, sales, marketing, finance, etc.

**Objectives of Middle Level Management:**

- ✓ Implementing the rules and policies set by top-level management.
- ✓ Motivating personnel to enhance productivity and achieve departmental goals.
- ✓ Gathering and analyzing detailed reports from various departments to ensure smooth operations.
- ✓ Fostering mutual understanding and collaboration among different departments.
- ✓ Providing recommendations and feedback to top-level management based on departmental performance.

**Low Level (Operative) Management** Low-level management consists of supervisors, team leaders, and workers who are directly involved in the day-to-day operations. They are responsible for supervising and guiding the workers who perform the actual work in the organization.

**Objectives of Low Level Management:**

- ✓ Issuing orders and instructions to workers and supervising their work to ensure tasks are completed efficiently.
- ✓ Classifying and assigning jobs to workers based on their skills and tasks.
- ✓ Directing and guiding workers on work procedures and job expectations.
- ✓ Ensuring that workers have the necessary tools, materials, and equipment to perform their tasks.
- ✓ Addressing and solving problems faced by workers on the shop floor or worksite.
- ✓ Reporting unresolved issues to higher management for further action.
- ✓ Maintaining discipline and promoting a positive work environment among workers.
- ✓ Building morale and fostering good human relations within the team.

Each level of management plays an essential role in ensuring that the organization operates efficiently and achieves its goals. The top level sets the vision and strategies, the middle level implements them, and the low level executes the day-to-day tasks to keep the organization functioning smoothly.

### 9.6.1 Top Level Management:

- ✓ System is a group of interrelated components working together toward a
- ✓ common goal by accepting inputs and producing outputs in an organized
- ✓ transformation process.

#### 15.7.1 System Concepts

The concepts of a system are Technology, Application, Development and Management.

##### a. Technology

Computer networks are systems of information processing components that are a variety of hardware, software and telecommunication technology.

##### b. Application

That electronic business and commerce application involves interconnected business information system

##### c. Development

That developing way to use IT in business includes designing the basic component of information system.

##### d. Management

Managing IT emphasize the quality, strategic business value and security of an organization in information system.

### 9.7.2 Components of a System

There are three basic components of a system, they are

- Input,
- Processing and
- Output.

**a. Input** Input involves capturing and assembling elements that enter to the system to be processed. Some of the inputs are raw materials, energy, data etc.

**b. Processing** It involves transformation process that converts input to output.

**c. Output** It involves transforming element that has been produced by a transformation process to their ultimate destination.

#### 15.7.3 Types of System

**a. Dynamic System:** When the interrelated component of the system interacts with each other and this controlled by management then it is known as Dynamic System.

**b. Cybernative System** Dynamic System implementing the concept of feedback and control is known as Cyber native System.

**c. Open System** A system got interacts with other system in its environment by exchanging input and output with its environment

**d. Adoptive System** A System having the ability to change itself and its environment in order to survive is called an Adoptive System.

## 9.8 Data and information

Data refers to facts or figures representing an object, place, or events occurring in an organization. Data alone is not enough; it becomes useful only when processed and interpreted to determine its true meaning.

### **Characteristics of Data:**

- ✓ Data is collected through reading, observation, counting, measuring, etc.
- ✓ It comes from both internal and external sources.
- ✓ Data can be automatically produced from routine operations like generating invoices.
- ✓ The source of the data must be reliable, as any information derived from flawed data will be worthless.

### **Data Processing:**

- ✓ Data processing systems play a crucial role in recording and processing daily transactions of the organization.
- ✓ Processed data is maintained to generate reports, support decision-making, and ensure operational control.

### **Information:**

- ✓ Information is the result of processing, interpreting, and organizing data in a way that makes it meaningful and useful to humans.
- ✓ Information gives context to data and makes it actionable.

### **Characteristics of Good Information:**

- ✓ **Relevance:** Information must be directly related to the problem at hand.
- ✓ **Accuracy:** Information should be sufficiently accurate to be relied upon.

- ✓ **Completeness:** Information should cover all key aspects of the problem, even if it cannot be fully comprehensive.
- ✓ **Confidence in the Source:** Managers must trust the source of the information for it to be useful.
- ✓ **Communication to the Right Person:** Information should be communicated to the right individuals who need it to perform their tasks effectively.

**Functions of Information:**

- ✓ **Reduction of Uncertainty:** Information helps reduce unknowns, improving decision-making.
- ✓ **Monitoring and Control:** Information aids in tracking performance and managing deviations from planned objectives.
- ✓ **Means of Communication:** Information helps managers stay informed about developments, changes, and forecasts.
- ✓ **Memory Supplement:** Historical information supplements personal memory and helps with decision-making.
- ✓ **Aid to Simplification:** Information simplifies complex issues and enhances understanding, making them easier to manage.

## 9.9 Information System

**Meaning:** An information system can be any organized combination of people, hardware, software, communication software and data resource that collects transformation or screening the information in an organization.

**Definition:** An information system can be defined as a set of interrelated components that collect (or retrieve), process, store and distribute information to support decision making, coordination and control in an organization.

## 9.10 Components of Information System

A business is an example of an organizational system where economic resources (inputs) are transformed through various processes into goods and services (outputs). An information system provides data on the operations of the business to management, helping them guide and maintain the system as it interacts with its environment.

**Common examples of information systems include:**

- **Airline reservation systems** (seat booking, payments, schedules, boarding lists, special needs).
- **Banking systems** (handling deposits, transfers, withdrawals through electronic payment gateways).
- **Departmental integration** using modern software like **ERP** (Enterprise Resource Planning).

- **Logistics management applications** to optimize transportation and delivery systems.

#### **Feedback and Control in Systems:**

- **Cybernetic System:** A system with feedback and control is called a cybernetic system — meaning it can monitor and regulate itself.
- **Feedback:** Feedback is data collected about how the system is performing.
- **Control:** Control involves monitoring the feedback to determine if the system is moving towards its goals. Based on feedback, necessary adjustments are made to inputs or processing components to ensure the system produces the correct outputs.

### **9.11 Need for information systems**

Information systems play a crucial role in both internet technology and traditional business operations. They represent the latest stage in the continuous evolution of business. Today, companies must update their infrastructure and change how they operate to respond quickly and effectively to customer needs.

The first step in designing and developing a Management Information System (MIS) is to assess the information needs of management at various hierarchical levels. This ensures that essential information is provided in a timely and usable format to the right people. The assessment is typically based on the personalities, positions, levels, and functions within the management structure.

### **9.12 Uses of information system**

Information system and technology including E-business and E-commerce technology and application has become vital component of successful business and organization.

It is a study of business administration and management. For a manager or a business professional it is just as important to have basic understanding of information system and any other functional area in business.

#### **15.13 Roles of Information system in business**

An Information system supports the business Organizations in the following

ways.

- (a) Support the Business Process: Treats inputs as a request from the customer and outputs as services to customer. Supports current operations and use the system to influence further way of working.
- (b) Support Operation of a Business Organization: An IS supports operations of a business organization by giving timely information, maintenance and enhancement which provides flexibility in the operation of organizations.
- (c) Support Decision Making: An IS supports the decision making by employee in their daily operations. It also supports managers in decision making to meet  
the goals and objectives of the organization. Different mathematical models and IT tools are used for the purpose evolving strategies to meet competitive needs.
- (d) Strategies for an Organization: Today each business is running in a competitive market. An IS supports the organization to evolve appropriate strategies for the business to assent in a competitive environment

## 9.14 Business process reengineering

Business Process Reengineering (BPR) has attracted significant attention from both industry and academia due to its potential to transform management practices and organizational workflows. While its importance is widely acknowledged, BPR is also seen as challenging to implement. This chapter examines the principles and assumptions behind BPR, along with the factors that influence its success or failure. It also highlights key debates within BPR literature, including the varying definitions of business processes and BPR itself, the extent of changes required, and the critical role of Information Technology (IT), particularly IT systems. Given that the main focus of this thesis is applying Enterprise Modeling (EM) to BPR, it is crucial to understand how poor system design under traditional methods often leads to BPR project failures.

**Business Process Reengineering (BPR)** BPR, also referred to as *core process redesign*, *new industrial engineering*, or *working smarter*, revolves around rethinking and restructuring business processes while leveraging Information Technology (IT) to enhance efficiency. This section addresses two key questions: the origins of BPR and the key elements it involves, including its principles and assumptions.

**What is BPR?** BPR focuses on analyzing current business processes, eliminating inefficiencies and redundancies, and redesigning workflows to boost competitiveness. According to Sherwood-Smith (1994), BPR aims to find new ways to organize tasks, people, and IT systems to help organizations achieve their objectives.

**Definition of BPR** Some researchers (e.g., van Meel et al., 1994; MacIntosh and Francis, 1997; Peltu et al., 1996) argue that there is no universally accepted definition of BPR, making its success difficult to evaluate. A widely cited definition by Hammer and Champy (1993) in *Reengineering the Corporation* describes BPR as "The fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service, and speed."

### **9.15 Let us Sum-up**

In this unit, we covered key concepts related to Management Information Systems (MIS), including fundamental principles of management, levels of management, system concepts, types of systems, their components, information, types of information systems, and examples of information systems.

MIS is understood as a method for evaluating, analyzing, and processing an organization's data to generate meaningful and useful information, enabling management to make informed decisions that drive the organization's future growth and development.

In the next unit, we will explore the various types of Information Systems and how they support different management levels within an organization.

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