

## PRINCIPLES OF MANAGEMENT

Hours :6  
Code : 18K1BB01

Credit Allotted: 5  
Max Marks : 75

### UNIT – I

Management – Definitions – Nature of Management – Distinction between Administration and Management – Importance – functions of Management – Managerial roles (informational, Interpersonal and decisional), Management levels and skill mix.

### UNIT – II

Contributions of experts to management thought, F.W.Taylor – Henry Fayol – Management by objectives – Planning, Definitions – Nature of Planning – Importance – limitations of planning – process of planning – Classifications of plans – Methods of planning.

### UNIT – III

Decision Making – Definitions – Characteristics – importance – problems in Decision making – steps involved in decision making – Types of decision-Methods or Techniques of Decision making.

### UNIT – IV

Organization – Definition – Process – Importance, Organization structure – Chart, Merits, drawbacks .principles of organization – Types of organization.

### UNIT – V

Delegation and Decentralization – Definitions of Delegation of Authority – Process or Elements of delegation – Advantages – Types – Principles how to make delegation effective – Decentralization – Distinction between Delegation and decentralization. Factors determining the degree of decentralization.

#### REFERENCE:

1. PC Tripathi,PN Reddy- Principles of Management.TataMcGraw Hill,4<sup>th</sup> edition.
2. Jayasankar,Principles of Management.
3. Umasekaran, Organisational Behaviour.

## UNIT – I

**Management – Definitions – Nature of Management – Distinction between Administration and Management – Importance – functions of Management – Managerial roles (informational, Interpersonal and decisional), Management levels and skill mix.**

### **Management – Definition**

- According to Mary Parker Follet “Management is getting things done through people”.
- According to Henry Fayol, “To manage is to forecast, to plan, to organize, to command, to coordinate and to control”.
- According to F.W. Taylor, ‘ Management is an art of knowing what to do when to do and see that it is done in the best and cheapest way ‘.
- According to Harold Koontz, ‘Management is an art of getting things done through and with the people in formally organized groups.

### **Nature of Management**

- **It is an Universal activity**
- **It is goal oriented**
- **It is an intellectual activity**
- **It is a process**
- **Management is both science and an art.**
- **It is a social process**
- **It adopts an integrated approach**
- **It is an on going activity.**
- **It is intangible.**
- **Management is an profession.**
- **It is a factor of production**
  
- **It is a Universal Activity:**
- Management is omnipresent. It has relevance not only in business but also in household work, in army, in governmental activities and so on. The material and human resources can be effectively handled and the goal can be attained with maximum efficiency.
  
- **2. It is Goal Oriented:**
- Management focuses on the attainment of specific objectives. For example, a business may aim for a particular level of sales. This can be achieved in an effective and efficient manner by adopting the techniques of management such as by making a proper forecast of the sales, by planning production, by fixing targets for the salesman and by properly coordinating all the activities, the targeted level of sales can be achieved.

- **3. It is an Intellectual Activity:**
- Management does not accept the hit or miss approach to work. Every work needs to be properly planned and executed. The necessary resources have to be acquired. Work has to be assigned to different individuals and responsibilities have to be fixed on them. Proper co-ordination of activities is essential. Thus, it becomes clear that without applying mind and intelligence, it is not possible to practice management.
- **4. It is a Process:**
- Management is essentially a process consisting of various stages/functions. Each of these functions will have to be done in the sequential order. Control, for example can be done only at the end. Organizing cannot precede planning. Planning is the starting point of management and control is its last stage.
- **5. It is both science and art:**
- This is an important aspect of the nature of management. Management possesses the qualities of both science and art. Art means a system of doing something in a disciplined or organized manner. In this context, management is described as an art. Management is a process in which the manager has to function with a human group. An efficient manager tries to function in an organized or systematic manner by establishing coordination between human and material resources.
- On the other hand, management is called science because like science it has its own definite principles which are applied everywhere. For example- the principle of division of work and specialization is applied everywhere. This principle is based on the fact that if work is divided according to the ability and taste, and some person is given the same work repeatedly, he gains proficiency in his work performance. Hence, management is both a science and an art.
- **6. It is a Social Process:**
- Management deals with the behavior of individuals and groups. In a work place, individuals work as a team. The behavior of an individual is bound to be different while he is part of group. Such a group may be a formal group like the trade union or an informal group based on friendship and other relationships.
- **7. It is an Integrated Process:**
- The goal of an individual employee and that of his organization must synchronize.
- In practice, it may not be so. Management practice will reconcile the individual goals with those of his organization.
- **8. It is an Ongoing Process:**
- Management is an everlasting process. Management will exist as long as there are human activities.
- **9. It is Intangible:**
- Management is invisible. It cannot be seen. But it can be felt. The significance of management will become clear if a comparison is made between the performance of a

person working at random and the performance of the same individual working in a more systematic manner.

## **DISTINCTION BETWEEN ADMINISTRATION AND MANAGEMENT**

<b>Administration</b>	<b>Management</b>
It is concerned with formulation of broad objectives, plans & policies.	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.
All policy decision are made by the administration	It is implemented by the employees
Administrators are the owners of the concern	Managers are the paid employees of the organization
Administration decides what is to be done & when it is to be done.	Management decides who should do it & how should he do it.
Administration is a thinking function because plans & policies are determined under it.	Management is a doing function because managers get work done under their supervision.
Conceptual and Human skills	Technical and Human skills
It is Top level function	It is Middle & lower level function
Administrators do not take part in daily activities	Managers take part in daily activities
Administration is a permanent body	Managers are not permanent
Administrators take decision on policy matters	Managers take decision on routine matters
Administrators are interested in results	Managers are interested in salary

## IMPORTANCE OF MANAGEMENT

1. **It helps in Achieving Group Goals** - It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.
2. **Optimum Utilization of Resources** - Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.
3. **Reduces Costs** - It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.
4. **Establishes Sound Organization** - No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.
5. **Establishes Equilibrium** - It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.
6. **Essentials for Prosperity of Society** - Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

## **FUNCTIONS OF MANAGEMENT**

### **Planning**

Planning is concerned with the determination of the objectives to be achieved and the course of action to be followed to achieve them. Before starting any action, one has to decide how the work will be performed and where and how it has to be performed. Thus, planning implies decision-making as to what is to be done, how it is to be done, when it is to be done and by whom it is to be done. Planning helps in achieving the objectives efficiently and effectively. Planning involves selecting of objectives and strategies, policies and programmes and procedures for achieving them.

### **Organising**

According to Fayol, "to organise a business is to provide it with everything useful to its functioning — raw materials, tools, capital and personnel." Thus, organising involves bringing together the manpower and material resources for the achievement of objectives laid down by the enterprise. Organising involves the following process:

- (a) determining and defining the activities involved in achieving the objectives laid down by the management;
- (b) grouping the activities in a logical pattern;
- (c) assigning the activities to specific positions and people; and
- (d) delegating authority to their positions and people so as to enable them to perform the activities assigned to them.

Organising function helps in increasing the efficiency of the enterprise. Further, by avoiding repetition and duplication of activities, it reduces the operation cost of the enterprise.

### **Staffing**

The staffing function is concerned with this aspect of management. According to Harold Koontz and Cyril O'Donell, "the managerial function of staffing involves manning the organisational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure." Thus, the staffing functions involve:

- (a) proper selection of candidates for positions;
- (b) proper remuneration;

(c) proper training and development so as to enable them to discharge their organisational functions effectively; and

(d) proper evaluation of personnel.

Staffing function is performed by every manager of the enterprise as he is actively associated with the recruitment, selection, training and appraisal of his subordinates.

## **Directing**

Directing is one of the important functions of management and is the art and process of getting things done. While other functions like planning, organising and staffing are merely preparations for doing the work, the directing function actually starts the work.

Directing is concerned with actuating the members of the organisation to work efficiently and effectively for the attainment of organisation goals. Directing involves the manager telling the subordinates how they have to perform jobs assigned to them. It is concerned with guiding, supervising and motivating the subordinates for achieving the enterprise objectives. According to

Directing consists of the following four sub-functions:

1. Communication or issuing of orders and instructions to subordinates. A manager has to instruct the subordinates what to do, how to do it and when to do it.
2. Guiding, energising and leading the subordinates to perform the work systematically and also building up among workers confidence and zeal in the work to be performed.
3. Inspiring the subordinates to do work with interest and enthusiasm for the accomplishment of the enterprise's objectives.
4. Exercising supervision over the subordinates to ensure that the work done by them is in conformity with the objectives that are determined.

## **Controlling**

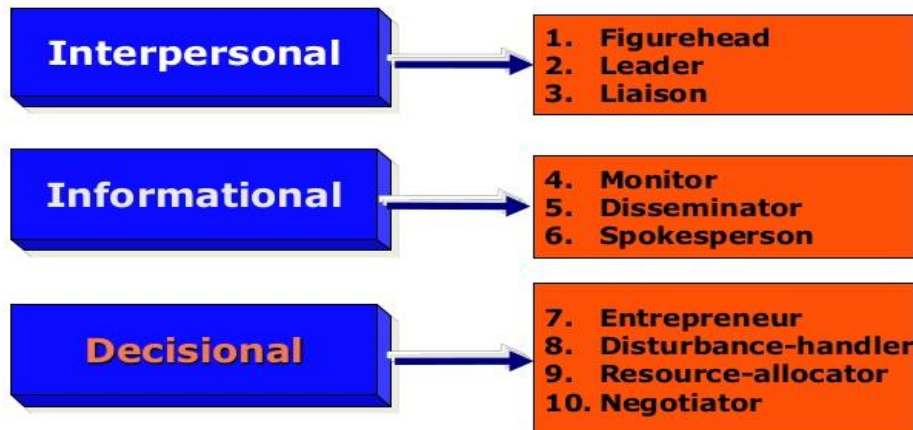
Controlling is related to all other management functions. It is concerned with seeing whether the activities have been or being performed in conformity with the plans. Koontz and O'Donnell have defined controlling "as the measurement and correction of the performance of activities of subordinates in order to make sure that enterprise's objectives and the plans devised to attain them are being accomplished." Thus, controlling involves the following sub-functions:

- (a) Determination of standards for measuring work performance.
- (b) Measurement of actual performance.
- (c) Comparing actual performance with the standards.
- (d) Finding variances between the two and reasons for variances.
- (e) Taking corrective actions to ensure attainment of objectives.

For control to be effective and fruitful, it must be based on a plan; there must be measurement of actual performance to ascertain deviations and to take action to remedy the deviations.

## Managerial roles (informational, Interpersonal and decisional)

### Managerial Roles



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Figure 1.5

#### **Interpersonal roles cover the relationships that a manager has to have with others.**

The three roles within this category are figurehead, leader and liaison. Managers have to act as figureheads because of their formal authority and symbolic position, representing their organizations. As leader, managers have to bring together the needs of an organisation and those of the individuals under their command. The third interpersonal role, that of liaison, deals with the horizontal relationships which work-activity studies have shown to be important for a manager. A manager has to maintain a network of relationships outside the organisation.

**Informational roles** Managers have to collect, disseminate and transmit information and have three corresponding informational roles, namely monitor, disseminator and spokesperson.

A manager is an important figure in monitoring what goes on in the organisation, receiving information about both internal and external events and transmitting it to others. This process of transmission is the dissemination role, passing on information of both a factual and value kind. A manager often has to give information concerning the organisation to outsiders, taking on the role of spokesperson to both the general public and those in positions of influence.

**Decisional roles**-As entrepreneurs, managers make decisions about changing what is happening in an organisation. They may have to both initiate change and take an active part in deciding exactly what is to be done. In principle, they are acting voluntarily. This is very different from their role as a disturbance handler, where managers have to make decisions which arise from events beyond their control and unpredicted. The ability to react to events as well as to plan activities is an important managerial skill in Mintzberg's eyes.



**EXHIBIT 1.5**

<b>Henry Mintzberg's Managerial Roles</b>			
<b>Category</b>	<b>Role</b>	<b>Organizational Function</b>	<b>Example Activities</b>
Informational	Monitor	Responsible for information relevant to understanding the organization's internal and external environment	Handle correspondence and information such as industry, societal, and economic news and competitive information
	Disseminator	Responsible for the synthesis, integration, and forwarding of information to other members of the organization	Forward informational e-mails; share information in meetings, conference calls, webcasts, etc.
	Spokesperson	Transmit information to outsiders about organizational policy, plans, outcomes, etc.	Attend management meetings; maintain networks between the organization and stakeholders
Interpersonal	Figurehead	Symbolic leadership duties involving social and legal matters	Attend ceremonies; greet visitors; organize and attend events with clients, customers, bankers, etc.
	Leader	Motivate, inspire, and guide employees' actions; provide opportunities for training; support appropriate staffing	Build trusting relationships with employees; build effective teams; manage conflict
	Liaison	Build and maintain relationships between the organization and outside entities	Work on external boards; create and maintain social networks (real and virtual) with key stakeholders
Decisional	Entrepreneur	Scan the organizational environment for opportunities; foster creativity and innovation	Participate in strategy and review meetings for new projects or continuous improvement
	Disturbance handler	Manage organizational problems and crises	Participate in strategy and review meetings that involve problems and crises; get involved directly with key issues and people
	Resource allocator	Take responsibility for allocation of all types of organizational resources	Create work schedules; make authorization requests; participate in budgeting activities
	Negotiator	Represent the organization during any significant negotiations	Negotiate with vendors and clients; settle disputes about resource allocation

**Management levels and skill mix.**

The levels of management may be classified into three groups: 1. top management, 2. middle management and 3. lower or supervisory management.

**Top Management**

Top management is at the head of the organisation. It consists of the Board of Directors and its Chairman, the Chief Executive (e.g., Managing Director or General Manager) and the Senior Executive (viz., Deputy General Manager). In the operation of the enterprise, top management is the ultimate level of authority.

**Middle management** consists of departmental, divisional or sectional heads and other executive officers attached to the different departments. This level of management is responsible for implementing the policies and plans decided by the top management. Middle management comes between the top management and the supervisory management.'

### **Supervisory Management (Lower Level Management)**

Supervisory management consists of senior supervisors, intermediate supervisors and frontline supervisors. Supervisory management is above the operatives but below the middle management in the organisation. The executives at this level are in direct touch with the rank and file of workers and have to see that the work is properly carried out

**Skills may be of three types (i) Conceptual skills (ii) Human resources skills and (iii) Operating or Supervisory skills.**

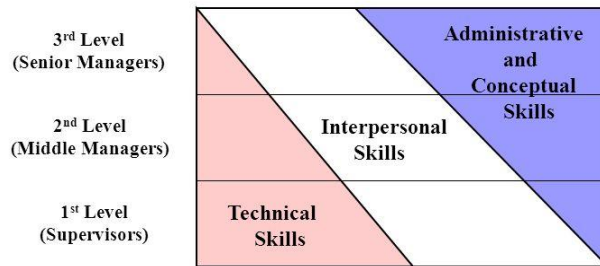
(i) **Conceptual Skills**, involve the ability to understand the organisation as a whole. Policy making body should possess these skill to a greater extent to know how various functions of the organisation support one another, how the organisation responds to the external environment and how changes in one operational function will affect the other operational functions.

(ii) **Technical Skills**, refer to specialised knowledge and expertise possessed by the manager to execute work-related planning programming and accounting. This is more concerned with "Things" - Processes or physical objects.

(iii) **Human Skills**, are the ones that develop cooperation within the team lead by the manager. This is more concerned with attitudes, perceptions, communication power of the individual, human resource management etc. These skills are more concerned with people and working with them.

When a manager moves upwards from one level to another, technical skills become less important and conceptual skills become more important. This means as manager advances in his position, he or she will be involving more and more in guiding the organisation and less attention will be given to operational aspects. See the figure 4.2.

## *Management Levels & Skills Mix*



➤As organizations evolve to reflect their business environment -- the skills mix is also changing for the organization's managers

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## UNIT II

### CONTRIBUTIONS OF EXPERTS TO MANAGEMENT THOUGHT, F.W.TAYLOR

#### Contributions of Henry Fayol - 14 principles of management

**1. Division of work:** The object of division of work is to derive benefits from the principle of specialization. The various functions of management like planning, organisation, co-ordination, control, etc., cannot be performed efficiently by a single proprietor or by a group of directors on their own and they have to be entrusted to specialists in the related fields. Division of work in the management process produces more and better work with the same effort.

**2. Authority and responsibility:** As management consists in getting the work done through others, it implies that the manager should have the right to give orders and the power to extract obedience. Thus, the manager gives orders to his subordinates to perform the job as per his direction. A manager may exercise his official authority and also his personal authority. Official authority is derived from his official status, while personal authority is compounded by intelligence, experience, moral worth, ability to lead, past service etc. Authority is closely related to responsibility, and it arises wherever authority is exercised. An individual to whom authority is given to exercise power must also be prepared to bear the responsibility to perform the work.

**3. Discipline:** Discipline is absolutely essential for the smooth running of business. By discipline, we mean obedience to authority, observance of rules of service and norms of performance, respect for agreements, sincere efforts for completing the given job, respect for superiors, etc. The best means of maintaining discipline are: (a) good supervisors at all levels, (b) clear and fair agreements between the employer and the employees, and (c) judicious application of penalties.

**4. Unity of command: One man one boss-** This principle requires that the employee should receive orders from one superior only for any action or activity. It means workers in a department are required to be accountable to one superior for complying with the orders for performing a job. If two superiors wield authority over the same person or department, it causes uneasiness, disorder, indiscipline among employees and undermining of authority. Further, for the same job, if the workers have to report to more than one superior, they will be confused and it will be difficult to pinpoint responsibility on anyone.

**5. Unity of direction: One head one plan** It means that there should be one head and one plan for a group for activities having the same objective. While unity of command is concerned with the functioning of personnel, unity of direction is concerned with the functioning of the body corporate, the departments and sub-departments comprising the business concern. For every category of work, there should be one plan of action and it should be executed under the overall control and supervision of one head or superior.

**6. Subordination of individual interest to general interests:** In a business concern, the interest of one employee or group of employees should not prevail over the common interest or should not block the fulfillment of general goals of the business concern. If there is disagreement among two superiors on any matter, the management should reconcile the differences so as to conduct the overall operation of the enterprise smoothly.

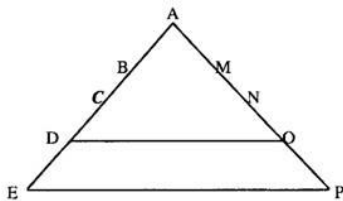
**7. Remuneration:** The remuneration that is paid to the personnel of the firm should be fair and as far as possible, afford satisfaction both to the personnel and the firm. Employees who are paid decent wages or salary will have a high morale and their efficiency will be high. Further, contented staff is an asset to the firm and also there will be good relationship between the management and the employees. The rate of remuneration paid should be based on general business conditions, cost of living, productivity of the concerned employees and the capacity of the firm to pay.

**8. Centralisation:** If subordinates are given a higher role and importance in the management and organisation of the firm, it is decentralisation whereas if they are given less role and importance, it is centralisation. Management has to decide the degree of centralisation and decentralisation's decisive authority on the basis of the nature of circumstances, size of undertaking, the type of

activities and the nature of organisational structure. The objective should be the optimum utilisation of faculties of the personnel.

**9. Scalar chain:** Scalar principle means the chain of superiors or the line of authority from the highest executive to the lowest one for the purpose of communication. It states superior-subordinate relationship and the responsibility of superiors in relation to subordinates at the various levels. According to this principle, order or communications should pass through the proper channels of authority along the scalar chain. But in case there is need for Swift action, the principle of scalar chain (proper channel of authority) may be reconciled with due respect for the line authority by making direct contact with the concerned authority instead of through the proper channel. A diagrammatical explanation of Scalar Chain is given here. This diagram consists of double ladders and we find a hierarchy of authority from A to E and A to P. If section D wants to communicate with section O, the file should go up the ladder from D to A and then descend to O, stopping at each section. This involves a lengthy procedure and is time-consuming. In case there is need for swift action or urgent contact, D and O may be authorised by their respective superiors (viz., C and N) to have direct contact to settle that matter. By this method, the scalar principle is safeguarded and at the same time, the subordinate officers are enabled to take swift action.

### Scalar Chain and Gang Plank



**10. Order:** Management should obtain order in work through suitable organisation of men and materials. The principle of "right place for every thing and for everyman" should be observed by the management. To observe this principle, there is need for scientific selection of competent personnel, correct assignment of duties to the personnel and good organisation.

**11. Equality:** Equality means fair dealings, equality of treatment and accommodative or co-operative attitude among the personnel in the undertaking. Equality results from a combination of kindness and justice. Employees expect equity from the management. The application of equity requires good sense, experience and good nature on the part of the manager. The managerial treatment of the subordinates should be free from the influence of prejudices and personal likes or dislikes. Equity ensures healthy industrial relations between management and labour which is essential for the successful working of the enterprise.

**12. Stability of tenure of personnel:** In order to motivate the workers to show keener interest in their work, enterprise, initiative and turn-out of better work, it is necessary that they should be assured security of job by the management. If they have fear of insecurity of job, their morale will be low and they cannot turn out better work. Further, they will not have a sense of attachment of the firm and they will always be on the lookout for a job elsewhere. Hence, the management must ensure stability of tenure of personnel.

**13. Initiative:** Initiative means freedom to think and execute a plan. The zeal and energy of employees are augmented by initiative. Innovation which is mark of technological progress is possible only where the employees are encouraged to take initiative. According to Fayol, "initiative is one of the keenest satisfactions for an intelligent man to experience" and hence, he advises managers to give its employees sufficient scope to show their initiative. Employees should be welcomed to make any suggestions regarding the fomulation of objectives and plans and they should be encouraged to turn out better work with maximum versatility.

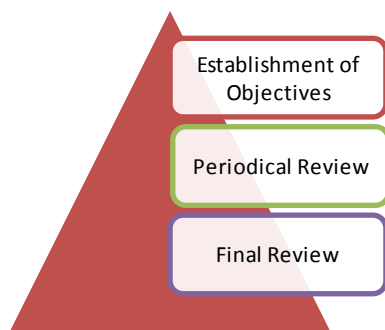
**14. Esprit de corps:** Since 'union is strength', the management should create a team spirit among the employees. Only when all their personnel pull together as a team, there is scope for realising the objectives of the concern. Harmony and unity of the staff of a concern is a great source of strength to the undertaking. The management should not follow the policy of 'divide and rule' and it should strive to maintain unity among the staff. If there are any differences or misunderstandings or symptoms of distrust, the management should take timely steps to eliminate them.

[https://ebrary.net/7744/management/management\\_functions\\_managerial\\_levels](https://ebrary.net/7744/management/management_functions_managerial_levels)

## Management by objectives

**Management by Objectives (MBO)**  
**(Peter F. Drucker)**

- It is a technique by which the superior and the subordinate jointly identify the objectives desired to be achieved by the subordinate in tune with the overall results expected.



## PLANNING, DEFINITIONS

- Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap from where we are to where we want to go.

- Koontz and O'Donnell

### Nature of planning

- Planning is the primary function of management
- It is goal- oriented
- It is all – pervasive
- It is an intellectual activity
- It is future oriented
- It requires an integrated approach
- It is a continuous process

#### (i) Planning is the primary function of management

Planning is the starting point of any business. Planning gives the meaning to all the other managerial functions. The company can prepare its plan that specifies the weekly output, the quantity of raw-materials to be purchased, the number of workers to be engaged and so on. Once the plan is prepared, the business can be processed to acquire the necessary men, machines, materials and money. Thus, Planning, as the primary function, gives focus to all other functions of management.

**(ii) It is goal-oriented** - The goal of every business is to make profits. Planning helps to attain the goal in the most effective and efficient manner. The annual production and sales targets are broken into weekly and monthly targets. Thus, planning provides for a systematic approach and eliminates a random approach towards work. It safeguards the business against idle time loss, loss due to surplus labour and so on.

**(iii) It is all-pervasive** - By this we mean that planning is done by everyone at every level of management, namely top, middle and lower levels. Top- level managers (Managing Director, General Manager and others) prepare long-term plans for the business as a whole. Middle-level managers (Production Manager, marketing Manager and others) prepare department plans. The Lower- level managers (Foremen, Supervisors and others) prepare plans to carry out the daily routine.

**(iv) It is an Intellectual activity** - Planning is a mental activity. It involves application of mind and intelligence to attain, in a systematic manner, the organisational objective. Planning requires

consideration of several factors like manpower, money, availability of materials and machines, the time required, market trends, Government regulations, etc. Sound planning, therefore, depends on the availability of knowledgeable persons in the organisation.

(v) **It is future- oriented** - Planning is required to attain the future goals of an organisation. However, past happenings provide the basis for plans. As future is uncertain, a plan must make suitable provisions to meet any crisis. Fluctuating demand, Unavailability of raw materials, changes in Government Regulations, Union demands, etc., may come as a hurdle in the plan implementation stage. The plan itself must, therefore, provide a solution for any critical situation that may arise in future.

(vi) **It requires an integrated approach** - There must be a link between the plans of different departments. The production plan of a business must be in tune with its financial plan. The marketing plan, likewise, must be in tune with the production plan and vice versa. One shall not contradict the other. As the plans of different department are inter-related and inter - dependent, a co-ordinated approach is needed for the successful implementation of each plan.

### **Importance of planning**

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- **1. Planning provides Direction:**
- Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do, etc. By stating in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve its desired goal.
- **2. Planning Reduces the risk of uncertainties:**
- Organizations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.
- **3. Planning reduces over lapping and wasteful activities:**
- The organisational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main organisational plan. As a result there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according



to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

- **4. Planning Promotes innovative ideas:**

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

- **5. Planning Facilitates Decision Making:**

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

- **6. Planning establishes standard for controlling:**

- Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not.
- For example, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80 unit production upto 100 units but if the planned output, i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

- **7. Focuses attention on objectives of the company:**

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

## **LIMITATIONS OF PLANNING (DRAWBACKS OF DEMERITS OF PLANNING-)**

- **Uncertain nature**
- **Expensive**
- **Rigidity**
- **Loss of initiative**
- **Ignorance of subordinates interests**
- **Complacent attitude**

## **1. Uncertain Nature**

The element of uncertainty cannot be totally eliminated in planning. Plans are meant for future use but future happenings cannot accurately foresee. Provision can be made for certain contingencies. A sudden change in the policy of the Government, loss due to nature calamities like earthquake, floods, etc., can destroy even carefully prepared plans.

## **2. Expensive**

preparation and implementation of any plan is expensive not only in best course terms of plans requires collection of data from different sources, formulation of plans requires collection of data from different sources, analysis and evaluation of the best course of the various courses of data from different sources, decision on the best course of the various courses of action. Planning is going to be useful only when the benefits from it exceed the cost. Even before a plan becomes ready several changes take place both in the internal and external environment. As a result, the plan needs to be revised each time certain changes take place.

## **3. Rigidity**

It strictly adheres to the plan in so far as the daily work routine in an enterprise is concerned. Lack of flexibility in plans leads to monotony and boredom.

## **4. Loss of interests**

the staff in an enterprise shall perform their duties in the way they are expected to do in the plans. As a result, they are reduced to machines. There is no scope for the display of skills by individuals and this leads to loss of initiative

## **.5.Ignorance of subordinates ' interests\_**

plans are prepared to attain the organisational goal in the most effective manner. In doing so, often, the interests, preferences, capabilities and attitudes of the employees are support to the implementation of the plans. Even when they work, they work without any interest or involvement. This is bound to affect the quality of work.

6. Complacent attitude. There is always a feeling that once the plan is prepared, the target of the enterprise can easily be attained. The success of every plan depends much on the effectiveness with which it is implemented. A plan is only a means to the end and not the end itself.

## **PROCESS OF PLANNING**

### **Steps in process of planning**

1. Identifying business opportunities
2. Establishment of objectives
3. Determination of Planning premises
4. Identifying the alternative courses of action

5. Evaluating the alternative courses of action
6. Selecting the best course of action
7. Formulation of derivative plans
8. Periodic evaluation and review

### **Step # 1. Identifying business opportunities**

During this stage, managers create a foundation from which they will develop their plans. They analyze current state and have a preliminary look at possible future opportunities. They examine organisation's strengths and weaknesses. Managers need to determine- (a) what threats to achieving the unit's objectives are developing and (b) how changes in the environment present opportunities for greater achievement of those objectives.

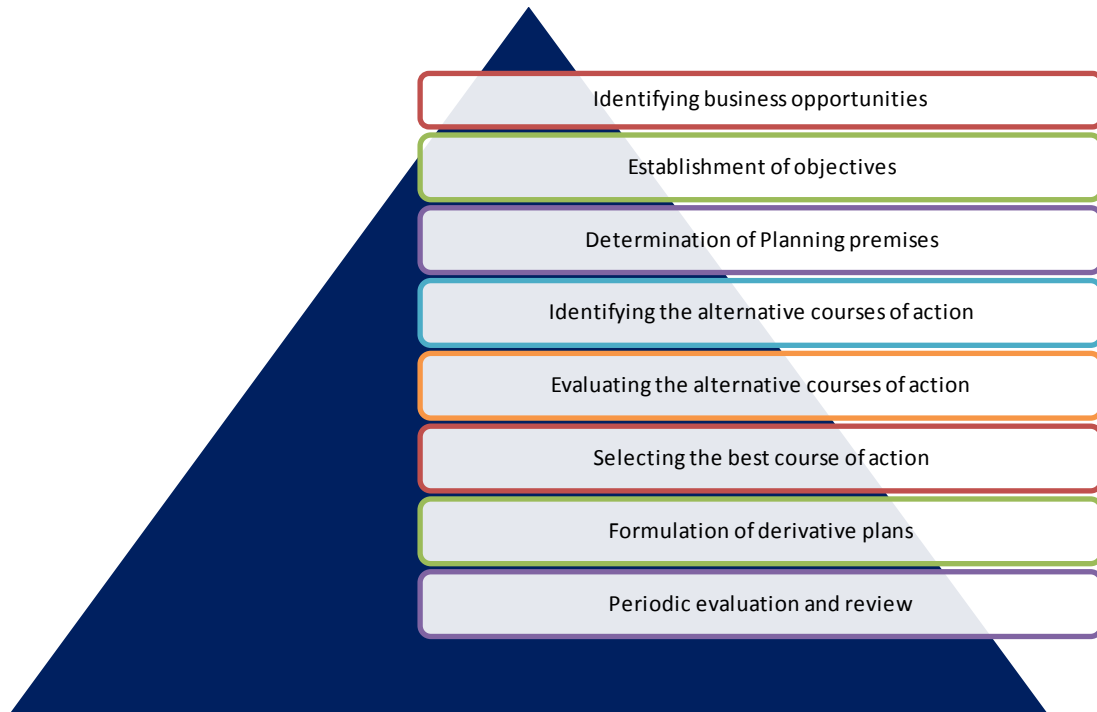
### **Step # 2. Establishing Objectives:**

The second step in the planning process is to establish objectives for the entire organisation and then for each subordinate work unit. Objectives define the results to be achieved and indicate where the primary emphasis is to be placed and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets and programmes.

### **Step # 3. Determination of Planning premises**

Premises are planning assumptions about the environment in which the plan is to be carried out. Premises encompass the expected environment of plans in operation. Important premises include- (a) forecasts, (b) basic policies and (c) existing company plans. Managers charged with planning responsibility must establish, circulate, and obtain consent to utilize critical planning premises. Managers use these premises to evaluate future events, and to develop 'action statements' and alternative course of action.

Because the future events are complex, premises must be limited to assumptions that are critical to a plan. Throughout the planning process, premises must be monitored and updated.



#### **Step # 4. Identifying the alternative courses of action**

The next step is determining available alternative ways of achieving objectives. Managers should search for and examine alternative courses of action. It is important to note that the number of alternatives should be reduced to the most promising ones by preliminary look. Alternatives can be discovered through research, experimentation, and experience.

#### **Step # 5. Evaluating Alternative Courses:**

After finding out the available alternatives and having made an analysis of their strong and weak points, the planner must evaluate the alternatives in the light of premises and goals. Some alternatives can be seen as most profitable and will be too expensive. Some may be less desirable or efficient than others; still another may better suit the firm's immediate goals.

Hence, the effective manager evaluates these alternatives against the considerations for both feasibility and consequences. The statistical methods and computers have greatly helped the evaluation process.

#### **Step # 6. Selecting the Best Alternative:**

This is the point at which the plan is adopted – the point of decision making. Selecting the most appropriate alternative involves choosing the plan. Normally, managers will select the alternative

that, in their judgement, will best enable the firm to accomplish its goals. Sometimes, the manager may decide to follow many viable, feasible or sufficient realistic courses rather than the one best course.

**Step # 7. Formulating Derivative Plans:**

After the overall plan has been adopted, it is necessary to develop other derived plans for each segment of the enterprise to support the major plan.

**A derivative plan may be necessary:**

- (a) To co-ordinate the different phases of the organisation;
- (b) To develop new policies and procedures for effecting the plan; and
- (c) To work along with the major plan to reach the same objective.

**Step # 9. Implementing the Plan:**

The plan becomes a reality when it is put into operation. This involves converting it into action. Implementation means that resources are committed and employees act.

Effective implementation of a plan requires managerial co-ordination and teamwork. Managers have to “sell” the plan to the people who will be responsible for turning it into reality. It requires managers to keep a careful eye on plan progress and results.

**Step # 10. Adjustments and Follow up of Plan:**

Changes in the environment and the organisation subvert even the best plans. Good managers assume changes and plan for them. They must monitor and maintain their plans. Constant monitoring of plans is necessary so that adjustments and corrections can be made in a timely and relevant manner.

Through the monitoring function, managers can take corrective action if they observe unexpected and unwanted deviations. Follow up or feedback mechanism is an attempt to determine whether the plan has achieved the desired results. Plans should be compared with actual results.

Source: <https://www.economicdiscussion.net/management/planning-management/planning-process-11-major-steps-of-planning>

## **CLASSIFICATIONS OF PLANS ACCORDING TO TIME**

- **Long term planning/ Strategic Planning**
- **Medium term planning/Tactical Planning**
- **Short term planning/Operational planning**

### **Short-Term Planning**

Short-term usually involves processes that is less than a year. It is otherwise called operational planning. Short-term planning looks at the characteristics of the company in the present and develops strategies for improving them. Examples are the skills of the employees and their attitudes. The condition of production equipment or product quality problems are also short-term concerns.

To address these issues, you put in place short-term solutions to address problems. Employee training courses, equipment servicing and quality fixes are short-term solutions. These solutions set the stage for addressing problems more comprehensively in the longer term.

### **Medium-Term Planning**

Medium-term planning is otherwise called tactical planning and is usually for one year to five years and applies more permanent solutions to short-term problems. If training courses for employees solved problems in the short term, companies schedule training programs for the medium term. If there are quality issues, the medium-term response is to revise and strengthen the company's quality control program.

Where a short-term response to equipment failure is to repair the machine, a medium-term solution is to arrange for a service contract. Medium-term planning implements policies and procedures to ensure that short-term problems don't recur.

### **Long-Term Planning**

Long-term plans is otherwise called strategic planning and include the overall goals of the company set more than five years in the future and usually are based on reaching the medium-term targets. In the long term, companies want to solve problems permanently and to reach their overall targets. Long-term planning reacts to the competitive situation of the company in its social, economic and political environment and develops strategies for adapting and influencing its position to achieve long-term goals. It examines major capital expenditures such as purchasing equipment and facilities, and implements policies and procedures that shape the company's profile to match top management's ideas.

## METHODS OF PLANNING.



**Figure 2.5** Methods of planning

Planning consists of several individual plans. Depending on their nature and scope, plans can be broadly classified as follows:

### **I. Standing or repeated-use plans**

1. Objectives.
2. Policies.
3. Procedures.
4. Methods.
5. Rules.
6. Strategies.

### **II. Single-use plans**

1. Programmes.
2. Budgets.

### **Standing or Repeated use Plans**

As stated earlier these plans are repetitive in nature (used again and again) and may change, not quite often, to suit the needs of the organisation. Objectives, policies, procedures, rules, methods, strategies form the part of standing plan. Every individual in the organisation has to follow the methods and procedures.

**Objectives:** Objectives are the ends towards which the activities of an organisation are directed. According to Robert C. Appleby, "Objectives are goals, they are aims which management wish organisations to achieve." They lay down guidelines for the various activities of the enterprise and decide the direction, nature and quantum of efforts needed for these activities.

For effective planning in any business organisation, objectives are essential and in fact, planning has no meaning if it is not related to objectives. Objectives are not only useful for effective planning but also for other managerial functions like organising, directing and controlling.

### **Policy**

Policies provide the framework within which the decision-makers are expected to operate while making decisions relating to the organisation. They are a guide to the thinking and action of subordinates for the purpose of achieving the objectives of the business successfully. According to George R. Terry, "Policy is a verbal, written or implied overall guide setting up boundaries that supply the general limits and directions in which managerial action will take place." Thus, the policies are a guide to thinking and action of those who have to make decisions.

### **Kinds of Policies**

Policies may be of different types. They can be classified on the following basis:

**Originated Policies.** These policies are formulated by the managers. They tell subordinates how to act in a given situation and the subordinates are expected to follow them strictly. They are the basic policies and they have the support of organisational authorities.

**Appealed Policy.** If, on any matter, the subordinate is not clear and has a doubt about his authority to handle a situation and if that subject matter is not already covered by the existing policies, he may refer the matter for his superior's verdict. Superior's verdict generates appealed policy and thus becomes a guide for the future action of the subordinates.

**External or Imposed Policy.** Sometimes, outside agencies like government, trade associations, trade unions etc. may also be instrumental in the formulation of a policy by the enterprise. For example, if the government imposes a condition on the enterprises to reserve a certain percentage



of jobs for the backward sections of society or for persons within the state, it becomes an external or imposed policy.

**Functional Policies.** Policies which are formulated for various functional areas of management are known as functional policies. Some examples of functional policies are: financial policy, production policy, marketing policy and personnel policy.

Policies on the basis of levels. Policies formulated on this basis may be basic policies meant to be used by top managers, general policies meant to be used normally by middle managers and departmental policies meant to be used by the departmental managers.

### **Guidelines for Effective Policy-making**

Guidelines for making effective policies are as follows:

1. Policies as far as possible should be in writing.
2. They should be clearly understood by those who are supposed to implement them.
3. They should reflect the objectives of the organisation.
4. To ensure successful implementation of policies, the top managers and the subordinates who are supposed to implement them must participate in their formulation.
5. Conditions change and policies must also change accordingly. Hence, a policy must strike reasonable balance between stability and flexibility.
6. Different policies in the organisation should not pull in different directions and should support one another.
7. Policies should not be detrimental to the interests of society.
8. Policies should be periodically reviewed in order to see whether they are to be modified, changed or completely abandoned.

## **Procedures**

Objectives and policies do not state the ways and means through which objectives are to be accomplished and policies put into effect. Hence, there is a need for procedures. Procedures are clear-cut administrative specifications prescribing the time sequence for work to be done. They can be defined as plans "prescribing the exact chronological sequence of specific tasks required to perform designated work." Thus, procedures tell how a particular activity is to be carried out.

## **Features of Procedures**

Some important features of procedures are: (a) They are a guide to action.

(b) They are generally meant for repetitive work so that some steps are followed every time that activity is accomplished. This is the reason why 'procedures' are also called 'repetitive use plans.'

(c) Procedures are established in keeping with the objectives, policies and resources position.

(d) They are concerned with establishing the time sequence for work to be done.

Procedures can be established for a wide variety of work such as purchase and issue of raw materials from store, recruitment of staff, termination of staff, wage payment, holding of meetings, etc.

## **Distinctions between Policies and Procedures**

The main points of difference are:

(1) Policies are a guide to decision-making whereas procedures are a guide to action only.

(2) In the case of policies, there is some room for interpretation and discretion but in the case of procedures, as they are more rigid and specific, there is no scope for discretion.

(3) While policies are a part of strategies of the business concern, procedures are only operational tools and a guide to action only.

(4) While policies are basic things and are formulated by the top management, procedures are generally based on policies and are decided generally at a somewhat lower level of management.

## **Methods**

Method specifies the way in which a particular step is to be performed, procedure tells the various steps to be taken to perform a particular task, but method tells how a particular step in the procedure is to be performed. Thus, the method, as it explains the steps, is more detailed than procedure.

## **Rules**

A rule specifies what is to be done and what may not be done in given initiation. Rules do not leave any scope for decision-making or judgment. They are to be enforced rigidly and also a fine or penalty may be imposed for ignoring them. 'No smoking' is an example of a rule. Fig. 4.3 indicates the freedom management has to act in the case of policies, procedures and rules.

## **Strategy**

Strategy is a term which is normally used in the battlefields for planning a military movement, handling of troops, etc.

In modern times, the word 'strategy' has found its way into the management field. In the context of a business concern, strategy indicates a specific programme of action for achieving the organisation objectives by employing the firm's resources efficiently and economically. It involves preparing oneself for meeting unforeseen factors. It is also concerned with meeting the challenges posed by the policies and actions of other competitors in the market.

### **Definition and Characteristics of Strategy**

A.D.Chandler defines strategy as "the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources to carry out these goals."

According to the R.N.Anthony, strategy is "the process of defining the objectives of the organisation, on changes in their objectives, on the resources used to attain these objectives, and on the policies that are to govern the acquisition, use and disposition of these resources."

The above definitions reveal the following important characteristics of strategy:

- (1) It provides guidelines to the enterprise for thinking and action.
- (2) It involves in finding out a judicious combination of human and other resources to achieve the objectives of the organisation.

(3) Its formulation involves taking into consideration external environment (opportunities and challenges) and internal environment (organization's resources and capabilities).

(4) As strategy depends on both external and internal factors which are not static, it has to be adjusted to the changed circumstances. Hence, strategy is not static but dynamic.

(5) Because of the importance of strategy to the business concern, it is formulated by the top management and not delegated downward in the organisation.

## **Single-Use Plans**

### **Programmes**

A programme is a precise plan which lays down the operations to be carried out to accomplish a given work. It includes all activities necessary to achieve the given objectives and prescribes how the enterprise's resources should be used. A programme is drawn in conformity with the objectives and it consists of steps to be taken to achieve the tasks.

Production of 1,000 tones of cement in March or manufacturing of 1,000 scooters by the end of March or a programme for opening 10 branches in the next year or deputing its employees for training or introducing a new product in the market are some of the examples of programmes.

Programmes are result-oriented and provide practical guidelines to managerial activities. Further, when compared to policies or objectives, they provide greater motivation to the managers.

### **Budgets**

A budget is a proposed plan of action prepared in advance. It is an estimate of future needs covering some or all of the activities of an enterprise for a definite period of time. It may be expressed in numerical terms, i.e., rupees, man-hours, product units and so forth. The important budgets prepared in a business enterprise are cash budget, production budget, sales budget, capital budget and master budget. This is a control tool.

### **Benefits**

Budgets are very useful to the enterprise. Some of the important benefits of budgeting are:

(1) It lays down enterprise goals and provides a basis for the future course of action by the management.

(2) It is time-bound and helps in introducing definiteness in planning.

(3) By laying down attainable targets and prescribing means to achieve them, it provides the right motivation to employees.

(4) budgets, by laying down objectives and plans in numerical terms, facilitate the verifiability of planning.

Source: [https://ebrary.net/7763/management/types\\_strategies](https://ebrary.net/7763/management/types_strategies)

## **TWO MARK QUESTIONS**

1. What is scientific management?
2. Define work study.
3. What do you mean by motion study?
4. What do you mean by method study?
5. What is scientific planning?
6. Define routing.
7. What do you mean by scheduling?
8. What is dispatching?
9. What is mental revolution?
10. What do you mean by division of work?
11. What do you mean by unity of command?
12. What do you mean by unity of direction?
13. What do you mean by scalar chain?
14. Define centralization.
15. Define decentralization.
16. What is social order?
17. What is material order?
18. What do you mean by esprit de corps?
19. Define MBO.
20. What is gang plank?
21. Define planning
22. What is strategic planning?
23. What is tactical planning?
24. What is short term planning?
25. Define objectives.
26. What are repeated use plans?
27. Define policies.
28. What are appealed policies?
29. What do you mean by Explicit policies?
30. What are implicit policies?

31. What are procedures?
32. What are rules?
33. Define a strategy.
34. What is stability strategy?
35. What do you mean by Merger strategy?
36. What is growth strategy? Give examples
37. What are single use plans?
38. What are programmes?
39. What is a budget?
40. What do you mean by vertical integration strategy?

### **5 MARKS Questions**

1. Explain the nature of Management.
2. Explain the importance of management.
3. Explain the difference between Administration and Management.
4. Explain the different managerial roles.
5. Explain the different managerial levels and skill mix.
6. Explain Management by objectives
7. Bring out the Importance of Planning
8. State the Limitations of planning
9. Explain the Classifications of plans according to time
10. Enumerate the Methods of planning based on time

### **10 Mark QUESTIONS**

11. Explain the Nature of Planning
12. Explain the Contributions of F.W.Taylor .
13. Explain the Contributions of Henry Fayol .
14. Explain the Process of planning
15. Explain the functions of Management

## **UNIT – III**

Decision Making – Definitions – Characteristics – importance – problems in Decision making – steps involved in decision making – Types of decision-Methods or Techniques of Decision making.

### **Decision making - definition**

- Decision making is a process of selecting of an alternative from two or more alternatives to determine an opinion or a course of a action.

### **Characteristics of decision making**

- It is goal oriented.
- Existence of alternative course of action.
- It might be positive or negative.
- It may also be a decision not to decide.
- Decision making is both science and an art
- It is situational.
- It is a complex mental exercise.
- It is an ongoing activity.

From the definitions of the experts, it is clear that decision-making is the process of evaluating the alternative courses of action in order to select the best.

### Characteristics of Decision-Making

The important characteristics or features of decision-making are given below:

- 1. It is a goal-oriented activity** – The objective of decision-making is always to attain a specific goal. For example, a student, whose goal is to become a Commerce graduate, has to be admitted in a college. He may be admitted either in the *Day college* or in the *Evening college* depending upon his credentials. It is also possible that he may study by correspondence. There again, he can choose the University from among the various Universities that offer correspondence courses. Thus, a series of decisions needs to be taken by the student.  
  
A business enterprise may set a goal to produce and sell one lakh units of a certain product during a particular period. To attain such a goal, it may have to make certain important decisions at every stage. It may, for example, have to decide on the particular source from which it will buy the raw materials required for production. Similarly, it has to select the particular model of the machinery that is required. It has also to determine the correct price for the product and the particular market to which the products will be sold – local market, national market or international market and so on.
- 2. Existence of alternative courses of action** – As mentioned earlier, the need for decision-making would arise only when there are alternative ways of performing a task. If there is only one course of action available there is nothing to decide. For example, an outdated product, which cannot be updated, has to be abandoned by a business enterprise and there are no alternatives. Similarly, a worker, who is inefficient and without commitment has to be sent out of the organisation. In both these cases, there is no scope for decision-making at all. On the other hand, a product, that offers scope for alteration or modification, may be altered and thereby updated. Likewise, a worker, who is showing commitment for work, but is not picking up things fast, may be given additional training to enable him to do better.
- 3. It may be positive or negative** – Another interesting feature of decision-making is that the decision made may be either positive or negative. For example, if the employees in an organisation want their pay scales revised and decide to go on strike if their demand is not conceded, the decision of the management may either be positive or negative. It is positive, if it decides to consider or concede the demands. It is negative, if the management is not prepared to concede the demands or decides to take disciplinary action against the employees for resorting to strike.



4. **It may also be a decision not to decide** – It is always difficult to take a quick decision on a sensitive issue. An immediate ‘yes’ or ‘no’ is not always possible in all matters. In such a case, the tendency will be to defer the decision to the extent possible. The decision, therefore, is ‘no decision’.
5. **Decision-making is both a science and an art** – As a science, decision-making requires knowledge of the method, rule or principle concerning the problem. As an art, it requires skill for making the decision a success. For example, revision of pay scales of employees in an organisation has to be done by evolving or following a suitable method, formula or principle. But it requires skill to make the employees accept the revised pay scales.
6. **It is situational** – It means that the decision-maker may make different decisions for the same problem under different situations. For example, a teacher may permit a student coming late to enter the class on a particular day but may not allow him on another day. Likewise, a worker may be sanctioned leave on a particular day but may be refused leave on another day.

7. **It may be voluntary or induced** – When the decision-maker makes the decision himself and is not pressurised by anyone, such a decision is known as a voluntary decision. He makes the decision spontaneously and with an open mind. On the other hand, when he is pressurised either by individuals or by the situation to evolve a decision to solve a problem, the decision becomes induced. For example, if a manufacturer, whose production activity pollutes the environment, comes forward to install a pollution control device on his own, such a decision is a voluntary one. If he is careless about the adverse effect his production process has on the environment, he may be required by the Pollution Control Authority to install a pollution control device. The decision then becomes an induced one.
8. **It is a complex mental exercise** – Decision-making involves careful consideration of the alternative courses of action, evaluation of the same and selection of the best course of action. The entire process of decision-making requires application of mind and intelligence. Only then the decision-maker will be able to evolve a wise decision. Moreover, the decision made once also becomes a precedent and will be quoted always in future.
9. **It is an ongoing activity** – Decision-making is a continuous process. Decisions are to be taken in everyone's life right from cradle to grave. In a business organisation too several decisions need to be taken right from its inception to dissolution.

## Importance of decision making

- Helps to take best course of action
- Optimum use of resources
- Helps to find out solution to any problem
- Helps to identify best course of action
- Conflicts are resolved through decision making.

4.4

Principles of Management

### Need for Decision-making (Importance or Advantages of Decision-making)

The need for decision-making may be stated as follows:

1. Decision-making makes it possible to adopt the best course of action in carrying out a given task. When there are different ways of performing a task, it becomes necessary to find out the best way and that is what decision-making is all about. The course of action finally selected should produce the best results.
2. By choosing the best method of doing any work, decision-making ensures optimum use of the enterprise resources, namely, men, machines, materials and money. Resources are always scarce and therefore, it is necessary to make a proper use of the same.
3. Decision-making helps to find a solution to any problem in a work place. For example, if an organisation faces the problem of low productivity, such a problem cannot be ignored and it becomes necessary to find a remedy. To find a remedy, the actual cause of the problem must be identified after which corrective action may be taken. If negative employee attitude is found to be the root cause of low productivity, the management may have to decide on the right course of action to be adopted to change such a negative employee attitude.
4. Decision-making helps to identify the best course of action in each given situation and thereby promotes efficiency. The course of action finally selected should be acceptable to both the workers and the management. Satisfied workers put in their best efforts and this results in higher output. Higher output satisfies the management and it may come forward to share the gain with the workers. Thus, there is improvement in the overall efficiency of the organisation.
5. The conflicts in an organisation are resolved through decisions. For example, the workers may want better pay and improved working conditions and put forth their views to the management. If the management avoids taking a decision on the matter, the workers are not going to give up. A decision, therefore, becomes necessary. Such a decision need not be a one-sided decision. The management may evolve a formula that is acceptable to the workers as well.



**Problems in Decision Making:**  
**Some common difficulties faced in making decisions and implementing them are as follows:**

**i. Incomplete Information:**

This is a major problem for every manager. Lack of information leaves a manager adrift in a sea of uncertainty. Not only this, most decisions involve too many complex variables for one person to be able to examine all of them fully.

**ii. Un-supporting Environment:**

The environment—physical and organizational—that prevails in an enterprise affects both the nature of decisions and their implementation. If there is all round goodwill and trust and if the employees are properly motivated, the manager is encouraged to take decisions with confidence. On the other hand, under the opposite circumstances he avoids decision-making.

**iii. Non-Acceptance by Subordinates:**

If subordinates have a stake in the decision or are likely to be strongly affected by it, acceptance will probably be necessary for effective implementation. On the other hand, subordinates may not really care what decision is reached. In such situations, acceptance is not an issue.

Democratic leadership style which encourages subordinates to suggest, criticize, make recommendations or decide upon policies or projects is an effective device for gaining their acceptance and commitment.

- **iv. Ineffective Communication:**

- Another important problem in decision-making is the ineffective communication of a decision. This makes implementation difficult. The manager should, therefore, take care to communicate all decisions to the employees in clear, precise and simple language.

- **v. Incorrect Timing:**

- In decision-making, the problem is not merely of taking a correct decision. It is also of selecting an appropriate time for taking the decision. If the decision is correct but the time is wrong, it will not serve any purpose. For example, if the manager wants to decide about introducing a new product in the market, he should take the decision at a correct time. Otherwise, he may lose the market to his competitors.

- **6. Correctness of Decisions:**

- Whether the decisions taken are correct or not is the first problem faced by the management. If the decision is not correct then it will mean a waste of money and efforts.
- The correctness of a decision depends on the caliber of decision-maker, information available and its analysis. If proper facts and figures are not available then decision will be based on wrong premises.

## STEPS INVOLVED IN DECISION MAKING

### steps involved in decision making



- **Step 1: Identification of the purpose of the decision**
- In this step, the problem is thoroughly analysed. There are a couple of questions one should ask when it comes to identifying the purpose of the decision.
- What exactly is the problem?
- Why the problem should be solved?
- Who are the affected parties of the problem?
- Does the problem have a deadline or a specific time-line?
- **Step 2: Information gathering**
- A problem of an organization will have many stakeholders. In addition, there can be dozens of factors involved and affected by the problem.
- In the process of solving the problem, you will have to gather as much as information related to the factors and stakeholders involved in the problem. For the process of information gathering, tools such as ‘Check Sheets’ can be effectively used.
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- **Step 3: Principles for judging the alternatives**
- In this step, the baseline criteria for judging the alternatives should be set up. When it comes to defining the criteria, organizational goals as well as the corporate culture should be taken into consideration.
- As an example, profit is one of the main concerns in every decision making process. Companies usually do not make decisions that reduce profits, unless it is an exceptional case. Likewise, baseline principles should be identified related to the problem in hand.
- **Step 4: Brainstorm and analyse the different choices**
- For this step, brainstorming to list down all the ideas is the best option. Before the idea generation step, it is vital to understand the causes of the problem and prioritization of causes.
- For this, you can make use of Cause-and-Effect diagrams and Pareto Chart tool. Cause-and-Effect diagram helps you to identify all possible causes of the problem and Pareto chart helps you to prioritize and identify the causes with highest effect.
- Then, you can move on generating all possible solutions (alternatives) for the problem in hand.
- **Step 5: Evaluation of alternatives**
- Use your judgement principles and decision-making criteria to evaluate each alternative. In this step, experience and effectiveness of the judgement principles come into play. You need to compare each alternative for their positives and negatives.
- **Step 6: Select the best alternative**
- Once you go through from Step 1 to Step 5, this step is easy. In addition, the selection of the best alternative is an informed decision since you have already followed a methodology to derive and select the best alternative.
- **Step 7: Execute the decision**
- Convert your decision into a plan or a sequence of activities. Execute your plan by yourself or with the help of subordinates.
- **Step 8: Evaluate the results**
- Evaluate the outcome of your decision. See whether there is anything you should learn and then correct in future decision making. This is one of the best practices that will improve your decision-making skills.
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#### **Types of decision making**

- **1. Programmed Decisions**
- **2. Non-Programmed Decisions**
- **3. Operational Decisions**
- **4. Organizational Decisions**
- **5. Personal Decisions**
- **6. Routine Decisions**
- **7. Strategic Decisions**

- **8. Policy Decisions**
- **9. Individual Decisions**
- **10. Group Decisions**
- **11. Major Decisions**
- **12. Minor Decisions**
  
- **Programmed Decisions:**
  - They are otherwise called routine decisions or structured decisions. The reason is that these types of decisions are taken frequently and they are repetitive in nature.
- **Non-Programmed Decision:**
  - They are otherwise called strategic decisions or basic decisions or policy decisions or unstructured decisions. This decision is taken by top management people whenever the need arises. A careful analysis is made by the management before taking a policy decision.
- **Operational and Strategic Decisions:**
  - Operational or tactical decisions relate to the present issues or problems. The main purpose is to achieve high degree of efficiency. Better working conditions, effective supervision, prudent use of existing resources, better maintenance of the equipment, etc. fall in this category.
- **Routine decisions are taken by managers at the lower levels, while strategic decisions are taken by top level managers.** The focus in the operational decisions is on the short-run or immediate present, while it is on the long- run in the case of strategic decisions.
- **Routine and Strategic Decisions:**
  - Tactical or routine decisions are made repetitively following certain established rules, procedures and policies. They neither require collection of new data nor conferring with people.
  - Such decisions are generally taken by the managers at the middle and lower management level.
  - **The strategic decisions** relate to policy matters and so require a thorough fact finding and analysis of the possible alternatives. Finding the correct problem in such decisions assumes great importance. The managers are more serious about such decisions as they influence decision-making at the lower levels.
  
- **Major Decision:**
  - Major decision relates to the purchase of fixed assets with more value. The purchase of land and building is an example of major decision. This decision is taken by the top management.

- **Minor Decision:**
- Minor decision relates to the purchase of current assets with less value. Purchase of pencil, pen, ink, etc., are some of the examples of minor decision. This decision is taken by lower level management people.
- **Personal Decision:**
- The decision-maker takes a decision for his personal life which is known as personal decision. He implements this decision in his home and sets right his personal life.
- **Individual Decision:**
- Confusion exists regarding the difference between individual decision and personal decision. They are not one and the same. The decision-maker is a member of an organisation while taking an individual decision.
- **Group Decision:**
- A committee is formed by the top management for specific purposes. Here, the top management feels that no individual can take effective decision to solve a problem. The top management fixes the time within which the committee is expected to submit its report with concrete decisions.

#### **Methods or Techniques of Decision making.**

- **Group Discussions.**
- **Intuition**
- **Brainstorming.**
- **Delphi technique.**
- **Marginal Analysis.**
- **Cost-Benefit Analysis.**
- **Ratio Analysis.**
- **Financial Analysis.**
- **Break-even Analysis.**

#### **Experience**

- **Group decision-making (also known as collaborative decision-making or collective decision-making)** is a situation faced when individuals collectively make a choice from the alternatives before them.
- **Intuition:**
- It is making a choice without the use of conscious thought or logical inference. It is important for a manager to develop his intuitive skills because they are as important as rational analysis in many decisions.
- **The Delphi Technique:**
- The Delphi technique is an approach to generating new ideas or problem-solving amongst a group or team. Each member or interested party submits his or her recommendations or



views on the issue under review to a central contact point. All ideas generated in this way are then circulated to all those participants in the process, who then have the opportunity to submit comments on them.

- **Brainstorming:**
- Brainstorming is a powerful decision-making technique used to extract ideas from a group of people. For brainstorming, groups are formed and each individual is provided with a platform to explore and express their ideas to others. Brainstorming may be used by an organisation for multiple objectives such as solving a problem, generation of new ideas, team development, etc.
- **Break-Even Technique:**
- It helps to determine that level of output at which total costs (variable costs and fixed costs) and total revenue are the same. Total profit at this volume of output called the break-even point is zero. It helps managers analyse the economic feasibility of a proposal.
- **Cost Benefit Analysis:**
- Cost benefit analysis is a systematic process for evaluating the feasibility of projects or proposals under consideration. As the name indicates, this method aims at comparing total benefits derived from a project with the total costs incurred for the same.
- **Marginal Analysis:**
- It is a technique where there is a comparison of additional revenues with additional costs. The extra cost resulting from the addition of one more unit is compared with the benefit there from. Break even analysis is the modification of this technique wherein it tells the point of activity at which there will be no profit and no loss.
- **Experience:**
- Experience as a technique of decision-making implies that an experienced manager utilizes feedback of his past experiences in judging the soundness of present decisions. In this technique, the manager may also take advantage of the experiences of others, operating in the same lines of activities and faced with similar decision-making situations.

## UNIT – IV

**Organization – Definition – Process – Importance, Organization structure – Chart, Merits, drawbacks .principles of organization – Types of organization.**

### **Organisation – Definition**

- Organisation is the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.”- Louis Allen

### **Importance of organization**

- 
- Once A. Carnegie, a famous American industrialist said, “Take away our factories, take away our trade, our avenues of transportation, our money. Leave nothing but our organisation, and in four years we shall have re-established ourselves.”
- 
- An effective organization –
- (1) makes the management simple and efficient,
- (2) encourages specialisation,
- (3) improves techniques,
- (4) encourages constructive thinking,
- (5) increases productivity, and
- (6) accelerates the progress.
- The management asks the organisation to accomplish the tasks set-forth before it which an effective organisation is capable of achieving through its fruitful organisational framework.
- 
- 

#### **1. To Administer Economy in Production**

Any company aims at reducing its cost of production. Similarly any commercial undertaking aims at a reduction of its operating cost.

An effective and fruitful organisation also aims at a reduction on cost of production, distribution or operation to justify its very existence.

To effect economy in the whole organisational structure is a main task of an organisation economy affected results into cheaper availability of goods to the ultimate consumer.

Even if the price of the commodity is not reduced due to some reason or the other; the quality improves, the workers get more wages and the profitability increases. Society stands benefited. Return on investment goes up ultimately leading to larger savings.

## **2. To Serve the Society**

Any organisation aims at – (i) service of the society, and (ii) service of the enterprise of which it is one of the part. From service to the society it gains – (a) recognition, (b) strength, and (c) stimulus.

Society needs goods at proper time, of standard quality, in adequate quality, at a cheaper rate and regularly. An organisation ensures the society that it would not be lacking. Social gain should be the main aim of any organisation.

If the organisation deviates from this goal certainly it is not going to stand benefited for a longer period since it is the society which helps an organisation, management and enterprise to grow in structure. Goodwill is a gift given by the society to the enterprise and on its own will the society can withdraw it even without a moment's notice.

## **3. To Economies the Use of Available Resources:**

Though in India men are in abundance and other resources are scarce. But the use, of both should be economized in order to guard against the future non-availability of resources. If this happens because of non-judicious and un-planned use of resources then future generation is not going to forgive us. For this reason also-economic use of available resources is desirable.

## **4. To Establish Healthy Relations between Labour and Capital**

Human relations and behavioural sciences form the basis of any organisational structure today. A capital labour harmonious relations may help in attaining the objectives of the enterprise quickly and honestly. Prosperity to both is ensured by good, relations. Profitability and productivity both increase.

In India the capital and labour a not at their mutual best. Though we talk of 'workers sector' but we have made no sincere efforts in this direction. We have not been able to develop even harmonious relations between the two. A developing country like India can ill afford this situation. We have to find out some way out for better relations and effective achievement of the objectives of the company.

This is why it is said that organisation is a foundation upon which the whole structure of management can be successfully built.

### **Important Steps Involved in Organisation Process**

- 
- Organising refers to the grouping of activities necessary for the attainment of objectives. It also indicates the authority and the responsibility assigned to individuals charged with the execution of their respective functions.
- 
- Following steps are involved in organising the structure of an enterprise:
-

- **Step # 1. Knowledge of Objectives:**

- 
- While organising it is important to bear in mind the objectives or targets of the enterprise or department. The objectives must be determined keeping in view the environmental situation. They must be clear, precise but complete and free from ambiguity or confusion. Unless the manager or supervisor knows the objectives he may not be able to organise properly and motivate people towards the attainment of the objectives.
- 

- **Step # 2. Division of Work into Activities:**

- 
- After laying down the objectives, the manager must identify the total work involved in achieving them. The total work to be performed should be divided into component activities. For instance, the total work of a manufacturing enterprise may be divided into production, finance, personnel, marketing and such other activities.
- 

- **Step # 3. Grouping the Activities:**

- 
- The next step is to group the various activities into practical units based on similarity and importance as well as to indicate the person who would do the work. Similar activities should be grouped together under one heading, For instance purchasing, machining, assembling may be placed under manufacturing while recruiting, training, job grading, compensation may be placed under personnel, Other basis for grouping the activities may be utilised such as geographical location, particular equipment utilisation or process to be employed.
- 

- **Step # 4. Defining and Assigning Activities to Jobs:**

- 
- Jobs must be clearly defined and the activities related to them must be clearly identified and assigned. This will help the management to fix the authority and responsibility of the employees concerned.

- **Step # 5. Fitting Personnel into Jobs:**

- A job must be allotted to a properly qualified person so that none becomes a square peg in a round hole. Each person should be assigned specific job or jobs and be made responsible for it.

- **Step # 6. Delegation of Required Authority:**

- Proper authority must be vested in the personnel to enable them to carry out the job. Authority must be commensurate with responsibility. Authority without responsibility and vice-versa is meaningless and futile

- **Step # 7. Creating Organisational Relationships:**
- 
- Creation of different authority relationships such as line, functional or line and staff is essential for the achievement of the objectives. Everyone in the organisation must know as to whom he is accountable and his relationship with other persons in the organisation should be clearly established.
- 
- Source: <https://www.economicdiscussion.net/organisation/organisation-definitions/32336>

### **Principles of organization**

- 1. Objective**
- 2. Division of work**
- 3. Authority and responsibility**
- 4. Delegation**
- 5. Balance**
- 6. Responsibility is absolute**
- 7. Unity of command**
- 8. Unity of direction**
- 9. Distinction between line and staff function**
- 10. Simplicity**
- 11. Flexibility**

## Principles of Organisation

A sound organisation structure should adhere to the following principles:

1. *Objective* – The various activities performed in an organisation should help to attain the goal of the enterprise. The goal of each individual and department must synchronise with that of the concern.
2. *Division of work* – The total work of the enterprise should be divided into identifiable functions like production, purchases, marketing, finance, etc., for better performance and control. This leads to specialisation.
3. *Authority and Responsibility* (Authority is the official right of a manager. Responsibility is the duty of a subordinate, to whom some work has been assigned, to report to the superior on the work done.)
4. *Delegation* – It means transfer of authority by a superior to his subordinate. A subordinate to whom some work has been given must also be given the necessary authority to carry out the task. Delegation results in a vertical flow of authority from the top level to the lower level of the organisation structure.
5. *Balance* – Authority and responsibility must always be equal. If responsibility exceeds authority, the subordinate will not be able to perform the task. On the other hand, if authority exceeds responsibility, there will be misuse of authority.

6. *Responsibility is absolute* – Responsibility is never delegated. For the performance of his subordinates, a superior is accountable to his own superior.
7. *Unity of Command* – It means that a subordinate should get orders from one superior only and is accountable to him alone. Dual subordination results in confusion and leads to indiscipline.
8. *Unity of Direction* – It means that each group of activities having the same objective must have only one head and one plan.
9. *Distinction between line and staff functions* – Line functions are concerned with the performance of the basic activities of the business. Production and sales are the line functions of a manufacturer. Staff functions are of a supportive nature. Purchases, personnel, etc., are staff functions. The staff managers can only advise on certain matters. They cannot take the final decision.
10. *Simplicity* – The organisation structure must not be a complicated one. It should have only few levels of authority so that there is free flow of communication between persons.
11. *Flexibility* – The organisation structure should not be rigid. It should be capable of being adjusted according to the required changes in future.

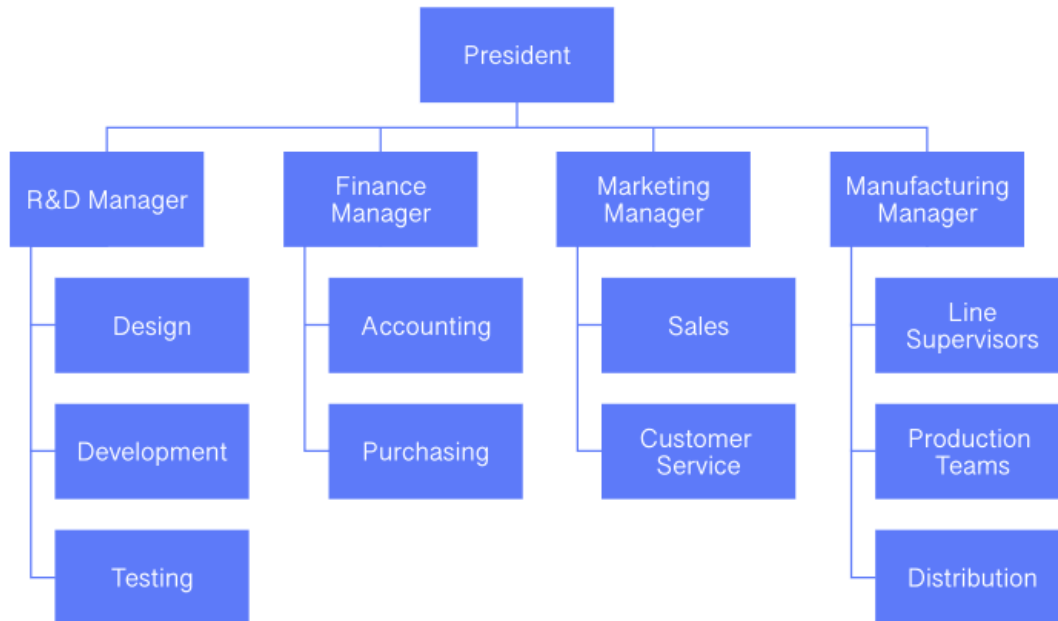
### Organization structure

- An organization structure explains the positions and official relationships between the various individuals working in an organization

### Organization chart

- The diagrammatic representation of the organization structure is called as organization chart

## Organization chart



### Merits of organization chart

- It shows the official position of each individual
- It is easy to find out who is superior and who is subordinate.
- It give identity to the person in an organization
- It helps the outsider to understand the different designations in an organization

### Drawbacks of organization chart

- It will show only formal or official relationship
- It may promote ill feelings among the persons in an organization
- Organization chart is not updated regularly

### Types of organization

- **Formal organization**
- **Informal organization**
- **Formal organizations are more structured and rely on authority based upon chains of command.**
- **Informal organizations do not require hierarchies of authority or structured internal processes. They are not formed in order to reach specific goals like a formal organization.**



### **Advantages of Formal Organisation:**

- **1. Systematic Working:**
  - Formal organisation structure results in systematic and smooth functioning of an organisation.
- **2. Achievement of Organisational Objectives:**
  - Formal organisational structure is established to achieve organisational objectives.
- **3. No Overlapping of Work:**
  - In formal organisation structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.
- **4. Co-ordination:**
  - Formal organisational structure results in coordinating the activities of various departments.
- **5. Creation of Chain of Command:**
  - Formal organisational structure clearly defines superior subordinate relationship, i.e., who reports to whom.
- **6. More Emphasis on Work:**
  - Formal organisational structure lays more emphasis on work than interpersonal relations.
  -

### **Disadvantages of Formal Organisation:**

- **1. Delay in Action:**
  - While following scalar chain and chain of command actions get delayed in formal structure.
- **2. Ignores Social Needs of Employees:**
  - Formal organisational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.
- **3. Emphasis on Work Only:**
  - Formal organisational structure gives importance to work only; it ignores human relations, creativity, talents, etc.

### **Merits of informal organization**

- It gives better communication
- It helps to fulfill social needs of the person
- It creates more cooperation
- It will motivate the staff better
- Scope for conflict will become less

### **Demerits of informal organization**

- It reduces importance of hierarchy
- It is possible for everyone to establish contact with everyone
- Superior may lose importance
- Rumours will spread
- Employees will go for casual approach. It will affect quality of work

- More Emphasis to Individual Interest: Informal structure gives more importance to satisfaction of individual interest as compared to organisational interest.
- 

### **Types of organization structure**

- **Line organization**
- **Line and staff organization**
- **functional organization**
- **Committee organization**
- **Project organization**
- **matrix organization**
- <https://www.businessmanagementideas.com/organisation-structure/5-main-types-of-organisational-structure/3448>

According to different methods of distribution of authorities and responsibilities, the organisation are of following types: 1. Line or Scalar Organisation 2. Functional Organisation 3. Line and Staff Organisation 4. Line, Staff and Functional Organisation 5. Committee Organisation.

### **Type # 1. Line or Scalar Organisation:**

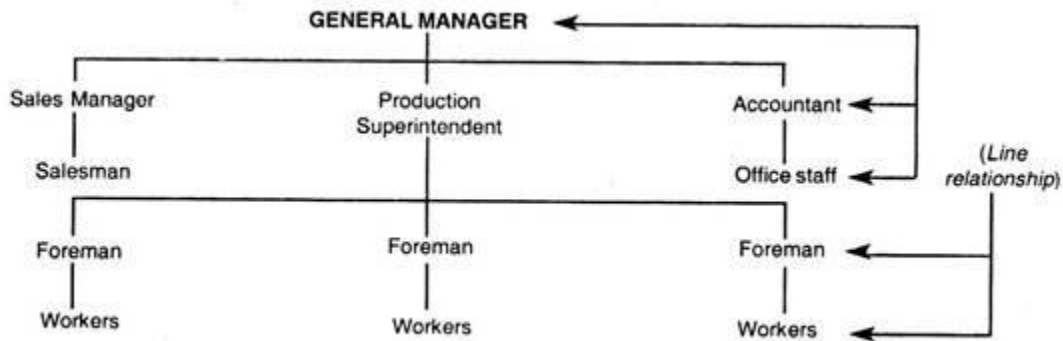
This type of organisation is also known as departmental or military type of organisation.

In this type of organisation business activities are divided into three groups, namely finance and accounts, production and sales. Each of this department is sub-divided into certain self-contained departments, i.e., sections.

Each departmental head has sole control over his section and has full authority to select his labour, staff, purchase of raw materials, stores and to set the standards of output, etc. Foreman of each shop trains new men and supervises the quality of output.

In such a system superior exercises a direct authority over his subordinates who become entirely responsible for their performance to the commanding superior. No operation is under two bosses:

**The following is the chart of line organisation:**



(a) Chart of Line Organisation

This is known as military type organisation, because in military discipline is of high order. Orders and instructions issued from the top have to be followed by the lowers. Similarly in this type of organisation, order of General Manager are to be carried out, without any say by subordinates and hence no chances of shifting of responsibility as in military and hence known as military type organisation.

As in this organisation, the flow of authority moves from top to bottom in vertical lines, therefore, this is also called line or scalar organisation.

**Advantages:**

1. A clear-cut division of authority and responsibility, hence no scope of shifting the responsibility.
2. Strong in discipline.
3. It permits quick decisions.
4. As responsibility of each individual is fixed, hence faults can be easily and quickly known.
5. Everybody from top to bottom remains busy like a machine and hence total cost of product will be less.
6. It is simple to understand.
7. Flexible and able to extend or contract.

**Disadvantages:**

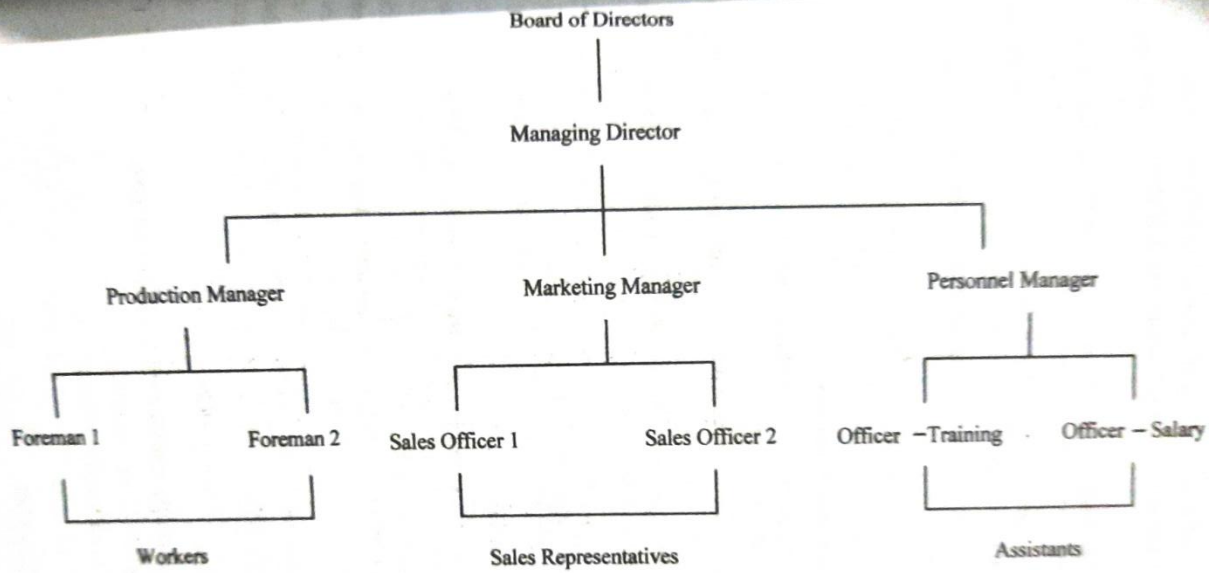
1. It requires different departmental heads to be expert in their respective functions, hence lack of specialisation.
2. Departmental heads are over-burdened with various routine jobs, hence no time for further expansion and planning.
3. Certain people become key points and they are loaded maximum with work.
4. Chances of accidents, wastage of material and labour are more because of insufficient knowledge of all the work by one man.
5. Chances of delay in reaching the orders of General Manager or any other departmental head upto the workers and, therefore, possibility of distortion, due to long channel.
6. Over-burdened foreman may not be able to give sufficient time for each job and will cause wastage and error.
7. It has no means of rewarding good workers.

**Applications:**

1. Such organisations are suitable for factories of small and medium size, in which subordinate and operational staff is not too much.
2. Suitable for continuous process such as sugar, paper, oil refining, spinning and weaving industries etc.
3. Suitable where labour problems are not difficult to solve.
4. Suitable where automatic plants are used.

**Type # 2. Functional Organisation:**

This type of organisation is sometime called “Taylor’s organisation” as it was for the first time introduced by F.W.Taylor. Taylor said that the well qualified foreman required brain, education (special or technical knowledge), manual strength, tact, energy, honesty, judgment or common sense and good health.



*Figure 5.4 - Functional Organisation*

**Evaluation – Advantages of Functional Organisation**

The advantages of functional organisation are as follows:

1. It promotes specialisation. Each department specialises in a particular line of work.
2. Each functional head looks after only a specific activity. Thus, there is no over burdening of key executives.
3. Better control can be exercised over the various activities of the concern in view of the presence of so many key executives.
4. There will be maximum efficiency as each individual concentrates on a particular task.
5. Specialisation and standardisation will result in mass production.

Functional organisation, however, suffers from the following drawbacks:

**Drawbacks of Functional Organisation**

1. Functional organisation is unwieldy in view of the presence of a number of departments and divisions.
2. It is always difficult to secure proper co-ordination among the different departments and individuals.
3. Any major decision requires the participation of different functional heads. This may lead to delay in arriving at a decision.
4. Functional organisation is also expensive to adopt. The creation of a number of departments and divisions and also the employment of many executives and subordinate staff will involve heavy expenditure.

**Type # 3. Line and Staff Organisation:**

In a firm of large size operating on big scale, managers cannot give careful attention to every part of management. They are unable to think and plan. They are busy with ordinary task of production and selling. Hence 'Some Staff is deputed to do other works like investigation, research, recording, planning and advising to managers.

Thus staff brings specialisation by assisting the line officers. The line maintains discipline and stability. Staff provides expert information and helps to improve the overall efficiency. Thus the staffs are 'thinkers' while lines are 'doers'.

A staff man usually controls one function of business of which he is an expert. Usually the staff has no administrative authority, but an expert in some phase of operation. He reports to the executive and gives the advice on the subject of his specialty.

**Advantages:**

1. It is a planned specialised system.
2. Quality of product will be better.

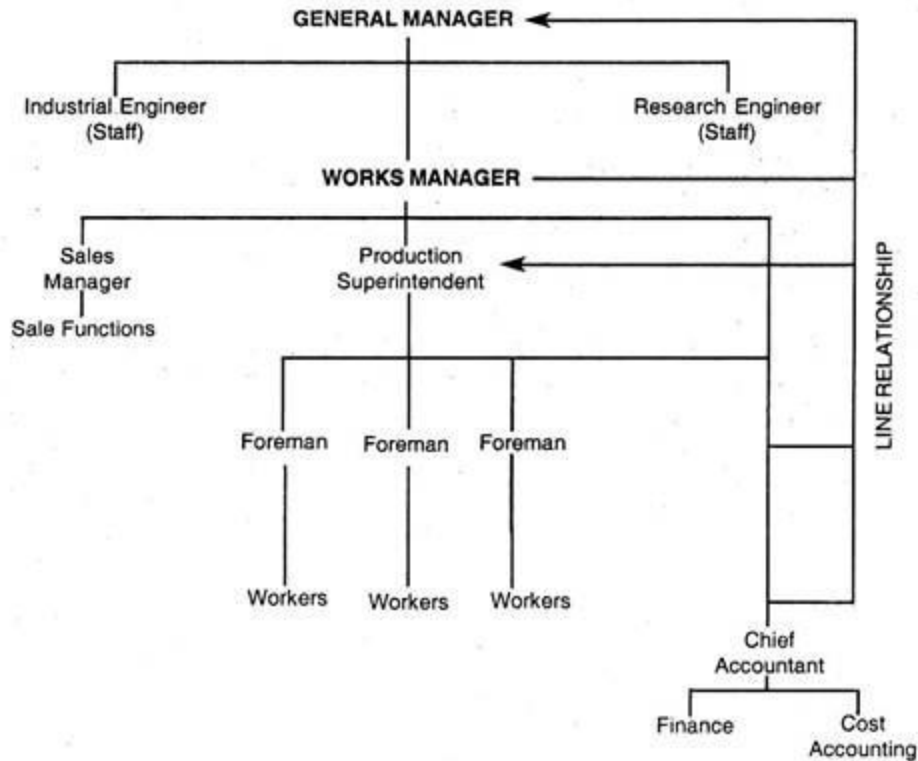
3. Wastage will be less.
4. Expert knowledge is available.
5. Sufficient time is available to general manager for future planning and expansion.
6. Discipline problem is solved because of line relationship.

**Disadvantages:**

1. Sufficient expert knowledge and guidance is not available as compared with functional type.
2. Lack of responsibility among higher levels and hence the discipline as a whole will be poor.
3. The overhead cost of product may rise, because of high salaried staff.
4. The slackness of any section or department will largely affect whole working.

**Application:**

Now-a-days this type of organisation is preferred for medium and large scale industries, depending upon internal structure, nature of productive activities and span of business area. It is applied in automobile industries and other intermittent nature of industries.



(d) Chart of a Line and Staff Organisation.

#### Type # 4. Committee Organisation:

A committee is a group of persons formed for the purpose of giving advice on certain important problems, which cannot usually be solved by an individual. It helps by pooling the thoughts of several persons on problems involving several functions and offered for criticism. Therefore, now-a-days many large companies add a network of committees to the line and staff organisation.

These committees may be either “Permanent” sometimes referred to as standing committees or they may be organised to serve a temporary function only. Examples of committees are Research Committee, Co-ordination, and Advisory Committee, Purchase Committee, Education Committee etc.

A committee is a tool for the development of ideas and recommendations of policy and procedure. It brings better plans and policies for operations and results in better co-operation in their execution. The final decision to put committee recommendations into action rests with the line. The committee simply performs advisory function.



Actually, the committee is similar to the staff and several owners think it a costly substitute for staff but it is found that no other method is so effective in solving common problems or in getting new ideas as committee organisation of collective judgment.

### **Committee Organisation**

A committee is a group of persons entrusted with certain tasks. The committee members are expected to discuss the problem under consideration in detail and come out with a solution. The Board of Directors of a company or a Trade Union of workers may be cited as an example of a committee. A number of committees may be created in a concern depending upon the requirement. A review committee, for example, may be constituted to review the progress of work. The heads of different departments will be the members of such a committee. The committee may meet at regular intervals and discuss the progress of work at the various levels.

### **Types of Committees**

Committees are usually classified into the following types:

1. Standing or Permanent Committee,
2. Temporary or Ad hoc Committee,
3. Executive Committee,
4. Advisory Committee,

5. Formal Committee, and
6. Informal Committee.

Let us now study about them.

#### **Standing or Permanent Committee**

Such a committee is never dissolved. Although there may be changes in membership, the committee remains always. The Board of Directors of a company is an example.

#### **Temporary or Ad hoc Committee**

A temporary committee is one that is created for a specific purpose. As soon as the purpose has been accomplished, the committee stands dissolved. For example, if wage revision is due for the workers, the management may constitute a committee to study the various aspects of wage revision and make a report to it. As soon the committee submits its report, it will stand dissolved.

#### **Executive Committee**

An executive committee is one that has powers to make important decisions for the enterprise. The Board of Directors of a company has such decisive powers.

#### **Advisory Committee**

An advisory committee can only make suggestions. It does not have the powers to make decisions.

#### **Formal Committee**

A formal committee is one that is constituted as per the rules and policies of the organisation. It has hierarchy. It functions according to the lines of authority.

#### **Informal Committee**

An informal committee is one that is not constituted as per the rules and policies of the organisation. Such a committee is the outcome of informal meetings of the workers to discuss their work-related problems.

#### **Evaluation of Committees – Advantages**

The following are the advantages of a committee:

1. A committee provides scope for group judgement. Every member of the committee can express his/her views whenever a problem is discussed. The decision that is finally taken will certainly reflect the views and suggestions of all the members. Such an advantage is not available in an individual decision-making situation.
2. The committee also secures proper co-ordination among the individuals and departments. When the members of a committee meet and discuss a common problem, each member puts forth his views that are heard by others. It is, therefore, possible for an individual to understand the problem of another.



3. The committee members feel motivated when they participate in the discussions. As a result, they implement the decision with the same level of enthusiasm with which they made it.
4. By accommodating diverse interest groups, the committee functions as a democratic organisation. For example, a committee constituted in a business establishment may have representatives of both the management and the workers.
5. Problems that cannot be solved by an individual will have to be referred to a committee. As the committee has intellectuals drawn from different spheres, it will be able to find a solution easily.
6. The committee is also used as a tool to postpone decisions on certain sensitive issues.

#### **Drawbacks of a Committee**

The drawbacks of a committee are as follows:

1. Constituting a committee is an expensive affair. The committee members may have to be paid remuneration for their work. They have to be paid dearness allowance and travelling allowance each time a meeting is organised.
2. The committee members take more time on discussions and deliberations and as a result the decision gets delayed. The delay, in many cases, may defeat the very purpose for which the committee has been constituted.
3. To reach a consensus among the members is often a difficult task. With a view to satisfying every member, a compromise decision may be made, sometimes, at the last minute.
4. There may also be a tendency on the part of some influential members in the committee to thrust their views on others.
5. There is no fixed responsibility on any member of the committee for the outcome of its decision. If the decision turns out to be a failure, no individual will come forward to take the blame.
6. The committee may often be constituted without the intention to provide any kind of a relief to the aggrieved persons. The idea is to avoid decision on an important issue. It is for this reason that the committee is seen as *a group of unfits, unwillingly engaged to do the unnecessary.*

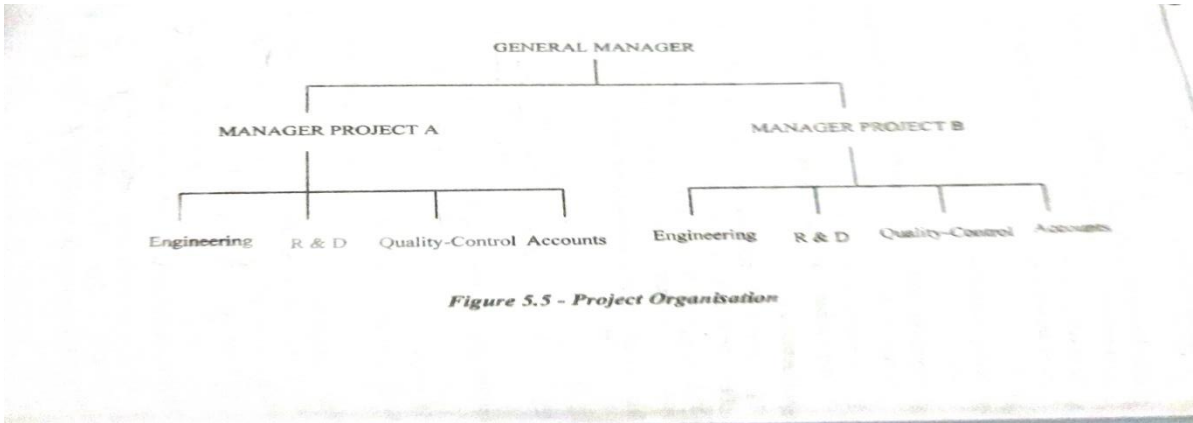
#### **How to make Committees effective?**

The following measures may be taken to make committees more effective:

1. The committee must have a capable leader. The chairman of the committee must be an intellectual. He must be able to conduct the proceedings well. He must be good in the art of securing effective co-ordination among the members.

**PROJECT**

**ORGANIZATION**



*Figure 5.5 - Project Organisation*

**Evaluation – Merits of Project Organisation**

The merits of project organisation are given below:

1. It can be designed to suit individual projects.
2. It makes use of specialised knowledge and skill wherever required.
3. It fixes responsibility on individuals on the work done by them.

**Demerits of Project Organisation**

The Demerits of project organisation are as follows:

1. The project manager may have a tough time dealing with specialists from different fields.
2. Evaluation of performance of the various specialists also poses problems for the project manager as he may not be well versed in engineering, R & D, accounts and so on.
3. Decision-making is also difficult for the project manager who may be pressurised by the specialists.
4. The time within which the project has to be completed will put pressure on every individual.

## MATRIX ORGANIZATION

### Matrix Organisation

Matrix organisation is considered suitable where a large number of small projects will have to be managed. A matrix organisation is also known as a 'multiple command system' as it has two chains of command *i.e.*, the flow of authority is both vertical (Line Authority) as well as horizontal (Project Authority). Separate departments are established for each specified task. But these departments have to share the resources with the rest of the organisation and cannot claim any exclusive right.

The specimen of a matrix organisation is given below:



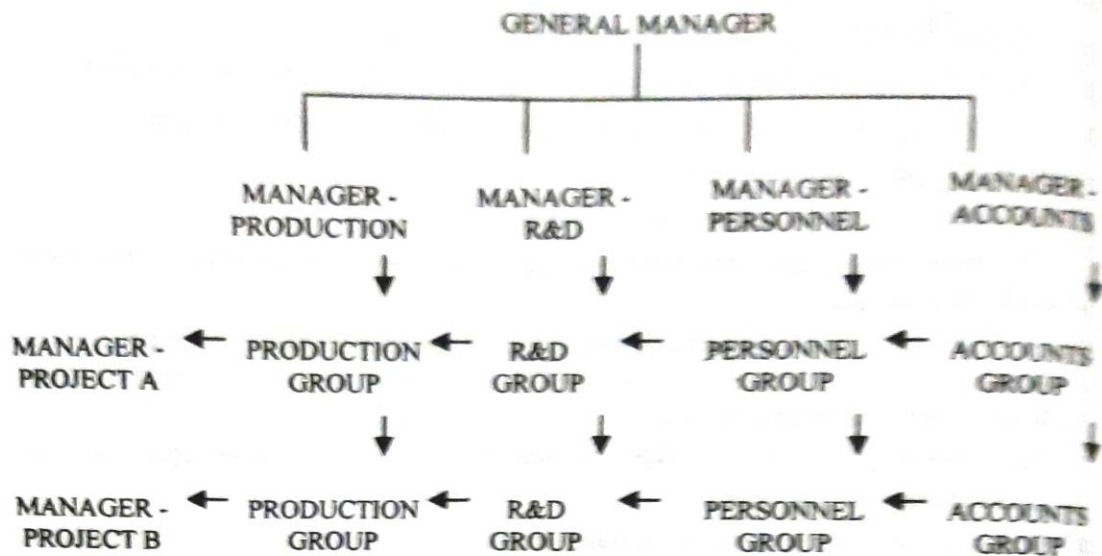


Figure 5.6 - Matrix Organisation

#### Evaluation – Advantages of Matrix Organisation

The advantages of matrix organisation may be stated as follows:

1. It offers the benefits of both functional organisation as well as technical specialisation.
2. It can be adapted to suit individual projects.
3. It offers greater motivation for the personnel engaged in the project and they show keen interest in its successful completion.
4. It also promotes communication between the various personnel associated with a project.

#### Drawbacks of Matrix Organisation

The drawbacks of matrix organisation are as follows:

1. It goes against the principle of unity of command as each individual gets orders from both the functional and the project managers.
2. Dual command may result in confusion.
3. Quick decisions may not be possible in such a pattern of organisation in view of the complex relationship that exists.
4. It also gives scope for conflicts among the personnel and as a result, the execution of the project may get delayed.

## UNIT 5

### UNIT – V

Delegation and Decentralization – Definitions of Delegation of Authority – Process or Elements of delegation – Advantages – Types – Principles how to make delegation effective – Decentralization – Distinction between Delegation and decentralization. Factors determining the degree of decentralization.

**In the words of F.G. Moore – “Delegation means assigning work to others and gives them authority to do it.”**

#### **Delegation and Decentralization**

Delegation represents selecting dispersal of authority whereas decentralisation signifies the creation of autonomous and self-sufficient units or divisions.

#### **Major Differences Between Delegation and Decentralization!**

##### 1. Responsibility:

In delegation, a superior delegates or transfers some rights and duties to a subordinate but his responsibility in respect of that work does not end.

On the other hand, decentralization relieves him from responsibility and the subordinate becomes liable for that work.

##### 2. Process:

Delegation is process while decentralization is the end result of a deliberate policy of making delegation of authority to the lowest levels in managerial hierarchy.

##### 3. Need.

Delegation is almost essential for the management to get things done in the organisation i.e., delegating requisite authority for performance of work assigned. Decentralisation may or may not be practiced as a systematic policy in the organisation.

##### 4. Control:

In delegation the final control over the activities of organisation lies with the top executive while in decentralisation the power of control is exercised by the unit head to which the authority has been delegated.

##### 5. Authority:

Delegation represents selecting dispersal of authority whereas decentralisation signifies the creation of autonomous and self-sufficient units or divisions.

##### 6. Scope:



Delegation hardly poses any problem of co- ordination to the delegator of authority. While decentralisation poses a great problem in this regard since extreme freedom of action is given to the people by creating self-sufficient or autonomous units.

7. Good Results:

Decentralisation is effective only in big organisations whereas delegation is required and gives good results in all types of organisations irrespective of their size.

8. Nature:

Delegation is the result of human limitation to the span of management. Decentralisation is the other hand, is the result of the big size and multi-farious functions of the enterprise.

Source :<https://www.yourarticlelibrary.com/difference/8-major-differences-between-delegation-and-decentralization/25711#:~:text=Delegation%20represents%20selecting%20dispersal%20of,self%2Dsufficient%20units%20or%20divisions.>

**Delegation of authority** is the process of transferring responsibility for a task to another employee. As a manager, you can typically transfer responsibility to any of your direct team members. That employee may then decide to delegate some of those responsibilities among their team members if necessary.

department

### Distinction between Delegation and Decentralisation

The points of distinction between delegation and decentralisation may be tabulated as follows:

Delegation	Decentralisation
<ol style="list-style-type: none"><li>1. It means concentration of authority in the hands of a few at the top.</li><li>2. It is a process.</li><li>3. It refers to the relationship between a superior and his subordinate.</li><li>4. Delegation is important to get things done by the subordinates.</li><li>5. The particular superior who has delegated authority to his subordinate exercises control over him.</li></ol>	<ol style="list-style-type: none"><li>1. It means dispersal of authority throughout the organisation.</li><li>2. It is the end result of delegation.</li><li>3. It refers to the relationship between the top management and the different departments and divisions of an enterprise.</li><li>4. Decentralisation is optional. The top management may or may not favour the proposal to decentralise.</li><li>5. The top management exercises overall control. The superior at each level exercises control over his immediate subordinate.</li></ol>

Decentralisation does not require the location of the departments of the enterprise in different places. In other words, the geographical location of the departments or divisions of the enterprise in different areas does not determine decentralisation. Even if all the divisions are placed under one roof, the enterprise may be under the system of decentralisation. Dispersal of authority alone is the key factor in decentralisation.

## Process of Delegation of Authority

The process of delegation of authority comprises of four steps which are as follows:



1. **Assignment of Duties to Subordinates:** Before the actual delegation of authority, the delegator must decide on the duties which he wants the subordinate or the group of subordinates to perform. Here, the manager lists the activities to be performed along with the targets to be achieved, and the same is spelled out to the subordinates. Thus, in the first stage, the duties are assigned to the subordinates as per their job roles.
2. **Transfer of Authority to perform the duty:** At this stage, an adequate authority is delegated to the subordinate which is essential to perform the duty assigned to him. A manager must make sure; that authority is strictly delegated just to perform the responsibility, as more authority may lead to its misuse by the subordinate.
3. **Acceptance of the Assignment:** At this stage, the subordinate either accepts or rejects the tasks assigned to him by his superior. If the subordinate or the delegate, refuses to accept the duty and the authority to perform it, then the manager looks for the other person who is capable of and is

willing to undertake the assignment. Once the assignment gets accepted by the subordinate, the delegation process reaches its last stage.

4. **Accountability:** The process of delegation of authority ends at the creation of an obligation on the part of the subordinate to perform his responsibility within the powers assigned to him. Once the assignment is accepted by the subordinate, then he becomes responsible for the completion of the duty and is accountable to the superior for his performance.

Thus, the process of delegation of authority begins with the duties assigned to the subordinates and ends when the subordinate is obliged to carry out the operations as intended.

Source: <https://businessjargons.com/process-of-delegation-of-authority.html>

## **Elements of delegation**

### **What are the Three Elements of Delegation:**

There are three elements of delegation, i.e., Responsibility, Authority and Accountability.

**The detailed description of which are as follows:**

#### **(1) Responsibility:**

Responsibility is the obligation of a subordinate to properly perform the assigned duty. When a superior assigns a job to his subordinate it becomes the responsibility of the subordinate to complete that job.

This means that the word responsibility comes into play only after the job has been assigned. Thus, to assign job can be called to assign responsibility.

#### **Features:**

- (i) Responsibility can be assigned to some other person.
- (ii) The essence of responsibility is to be dutiful.
- (iii) It gets originated because of superior-subordinate relationship.

#### **(2) Authority:**

Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position.

The scalar chain establishes the authority, which links the various job positions at different levels of an organisation to discharge given responsibility. Authority gives managers the right to take decisions, inform people what to do and what is expected of them. Authority originates by virtue of a position. It is highest at the top management and reduces as it flows down.

It means the superior has authority over the subordinate. Authority provides managers the right to direct workforce and expect obedience. Authority determines the superior and subordinate relationship, where superior expects the subordinate to execute his decisions in accordance to the guidelines issued by him.

Authority means the power to take decisions. Decision can be related to the use of resources, and to do or not to do something.

**Features:**

- (i) Authority can be assigned (delegated) to some other person.
- (ii) It is related to the post (with the change of post, even authorities change).
- (iii) It makes implementation of decisions possible.
- (iv) Authority is the key to a managerial job, because a post without authority cannot be a managerial post.

**Difference between Authority and Responsibility:**

**Authority:**

- 1. Meaning – Power to take decision.
- 2. Delegation – Authority can be delegated.
- 3. Origin – It originates because of formal positions in an organisation.
- 4. Essence – The essence of authority is to get decisions implemented.

**Responsibility:**

- 1. Meaning – The assigned job.
- 2. Delegation – ‘Responsibility for’ can be delegated but the responsibility to’ (which is also known ultimate responsibility or accountability) cannot be delegated.
- 3. Origin – It originates because of senior- subordinate relationship.
- 4. Essence – The essence of responsibility is to obey the duties.

**(3) Accountability:**

Accountability means the answerability of the subordinate to his superior for his work performance. In other words, when a superior assigns job / work or the responsibility to his subordinates, simultaneously he gives authority to them which makes workers (subordinates) accountable to their superior for the work- performance.

Accountability implies being answerable for the final outcome.

The accountability arises once the authority is delegated and responsibility is accepted & Accountability flows upwards. A subordinate is accountable to the senior for satisfactory performance of work. Accountability cannot be delegated to subordinates.

A subordinate is expected to provide regular feedback on work done and explain consequences of any errors or omissions in actions. Delegation of authority empowers an employee to discharge his/her responsibilities. Though the subordinate is accountable to the superior for his performance but the ultimate accountability lies with the superior.

To conclude we can say that authority is delegated, responsibility is accepted and accountability is imposed. The responsibility is the outcome of authority and accountability is the outcome of responsibility

**Features:**

- (i) Accountability cannot be delegated to some other person.
- (ii) It is only towards the delegators.
- (iii) Its base is senior-subordinate relationship.
- (iv) It originates because of delegation of authority.

Source: <https://www.economicdiscussion.net/management/delegation-of-authority/elements-of-delegation-meaning-process-and-comparison/31490>

**Advantages of delegation**

Some of the advantages of delegation are: 1. Relief to the Manager from Routine Work and Concentration on Policy Issues 2. Basis for Effective Functioning 3. Effective and Timely Decisions 4. Empower and Develop Subordinates 5. Satisfaction to Subordinates 6. Effective Utilisation of Organisational Human Resources 7. Opportunity for Professional Training and Growth 8. Helping the Expansion of Business 9. Reduction of Work 10. Benefit of Specialised Service 11. Provides Motivation 12. Improves Behavioural Climate 13. Provides Continuity and a Few Others.

**(i) Relief to the Manager from Routine Work and Concentration on Policy Issues:**

Managers are burdened with the heavy work relating to policy matters, strategic issues and routine activities. Managers normally delegate the responsibility of carrying out routine activities to their subordinates. This process of delegation relieves them from the heavy workload and concentrate on important areas like policy and strategic issues.

**(ii) Basis for Effective Functioning:**

Delegation of authority creates relationships and links among various jobs in the organisation. This relationship enables the smooth flow of organisational activities.

**(iii) Effective and Timely Decisions:**

Delegation of authority and responsibility to the subordinates to the lowest level of the organisation enhances the number of decision points. Each decision point has less number of decisions to be made. Hence, it enables the managers at each decision point to make decisions effectively and timely.

**(iv) Empower and Develop Subordinates:**

Delegation process encourages the subordinates to make decisions relating to their areas. Therefore, subordinates are trained to equip with all the necessary skills, knowledge etc. to make the decisions and implement them. Thus, they are empowered to decide their activities and develop strategies to implement or execute them.

**(v) Satisfaction to Subordinates:**

Subordinates derive the satisfaction for doing a meaningful and challenging task. In addition, they have the opportunity to utilise their skills and knowledge.

**(vi) Effective Utilisation of Organisational Human Resources:**

Responsibilities are delegated to all the subordinates depending upon their skills, knowledge, abilities, attitudes and emotions. Therefore, these organisational human resources can be effectively utilised

<https://www.businessmanagementideas.com/delegation/advantages-of-delegation/21322>

**Delegation – Types**

- 1. General delegation**
- 2. Specific delegation**
- 3. Written delegation**
- 4. Unwritten delegation**
- 5. Formal delegation**
- 6. Informal delegation**
- 7. Upward delegation**
- 8. Sideward delegation**



### Types of Delegation

Delegation may be of the following types:

- (i) General delegation,
- (ii) Specific delegation,
- (iii) Written delegation,
- (iv) Unwritten delegation,
- (v) Formal delegation,
- (vi) Informal delegation,
- (vii) Upward delegation, and
- (viii) Sideward delegation.

Let us see about each one now.

#### General delegation

In the case of general delegation of authority, the subordinate has the authority to perform any function that may be necessary for the accomplishment of the overall enterprise goal. A salesman who has been given general authority, for example, may supervise production or packing in order to ensure prompt despatch of the goods he has agreed to supply.

#### Specific delegation

In this case, the subordinate has the authority to perform only a specific function. A foreman, for example, may have the authority only to supervise the workers and make a report to the Production Manager at regular intervals.

#### Written delegation

Delegation made by written orders and instructions is what is known as written delegation. A 'power of attorney' may be cited as an example.

#### Unwritten delegation

Here, delegation is based on customs or conventions.

#### Formal delegation

In the case of formal delegation, authority is delegated as laid down in the organisation structure. The personnel manager, for example, has the authority to advertise vacancies in newspapers and solicit applications from eligible candidates if the organisation has the policy to recruit people from outside source.

#### Informal delegation

In the case of informal delegation, a subordinate performs a certain function although he is not officially bound to do it. This he does because of the personal relationship he has with the superior who has assigned the work to him. A salesman, for example, may buy certain stationary items needed by the office, as a favour, in view of his personal relationship with the office manager.



### **Upward delegation**

Delegation is usually a downward process, *i.e.*, only a superior delegates authority to his subordinate. Upward delegation takes place when a subordinate assigns some work to his superior. Such a delegation is very rare. Sometimes, a superior may perform the work of a subordinate if the latter has any difficulty in doing it. This he does only to make him understand the methodology of work.

### **Sideward delegation**

Sideward delegation takes place when a subordinate assigns certain work to another subordinate working at the same level. For example, one accountant may assign his work to another. In the same way one salesman may help another. Employees operating at the same level may help one another.

### **Factors determining the degree of decentralisation**

1. **Attitude of the top management** – If the top management wants all the decision-making authority to be confined to itself and to a few key executives, it may prefer centralisation. On the other hand, if the top management wants to have only overall control over the organisation and prefers decision-making authority to be dispersed at different levels of the organisation, it may prefer the idea of decentralisation.
2. **Size of the enterprise/Scale of operations** – If the size of the concern or the scale of its operations is small, centralisation can prove to be effective. On the other hand, if there are a number of operations to be performed through many departments or divisions, decentralisation can be ideal.
3. **Nature of functions** – In a manufacturing concern, production and marketing are the basic functions. Such basic functions may be decentralised for better results. Functions such as personnel and finance, meant to facilitate the performance of the basic functions, may be centralised to derive greater efficiency.

4. **Extent of diversification** – If the business enterprise is producing and marketing different types of products, e.g., Godrej, decentralisation will be more beneficial.
5. **Availability of capable managers** – The decision on decentralisation is very much influenced by the availability of efficient managers. In fact, decentralisation will be successful only if the top management is able to find capable managers to effectively manage the different departments or divisions of the enterprise.



**How to make Delegation effective?**

The following are some of the measures that can be taken to make delegation of authority effective:

1. *Determination of definite goals* – Delegation is required only for the effective attainment of the enterprise goal. It is, therefore, important to state the goal in clear and precise terms. If the goal is imprecise and vague, the subordinate may hesitate to accept authority.
2. *Authority should match responsibility* – As mentioned earlier, the authority given to a subordinate should neither be more nor less than his responsibility. If it is more, the tendency will be to misuse it and if it is less, the subordinate will not be able to carry out his responsibility. Therefore, both authority and responsibility should be equal.
3. *Unity of command* – For delegation to be effective, it is important that a subordinate gets command from one superior only and is accountable to such a superior alone.
4. *Proper motivation* – It is also important that the subordinates are properly motivated to accept authority and prove their worth to the organisation. Motivation of subordinates may be done by offering incentives – both monetary and non-monetary. A subordinate who has shown good results may also be given greater decision-making authority.
5. *Appropriate work environment* – The work environment should be such that the subordinates are able to work without any fear. The superiors must be easily approachable. The resources needed to perform the various tasks should also be easily accessible.
6. *Proper communication* – All efforts must be made to develop proper communication channels within the organisation. Informal communication (ignoring the hierarchy) may be used to supplement or as a substitute for formal communication wherever necessary.
7. *Proper training of subordinates* – The subordinates may be given proper training to enable them to undertake any assignment. Training helps to develop the capabilities of subordinates and thereby gives them the courage to accept delegation of authority.
8. *Proper control mechanism* – Control mechanism is required to review the progress of work done by the subordinates. The control system should help to measure deviations from the standards without interfering in the daily activities of the subordinates.

**Delegation – Reasons for a Manager’s Resistance to Delegating Authority**  
**A manager’s resistance to delegating authority is natural.**

There are several reasons for the reluctance:

1. Fear that subordinates will fail to do the task.
2. The belief that it is easier to do the task oneself rather than delegate it.
3. Fear that subordinates will look “too good” and do it better than the manager.
4. Humans’ attraction to power.
5. Comfort in doing the tasks of the previous job held.

In spite all these reasons for not delegating, there are some very strong reasons for a manager to delegate. Various things occur when a manager successfully delegates.