

**PERIYAR INSTITUTE OF DISTANCE EDUCATION  
(PRIDE)**

**PERIYAR UNIVERSITY  
SALEM - 636 011.**

**BACHELOR OF BUSINESS ADMINISTRATION (B.B.A.)  
FIRST YEAR  
PAPER – I : BUSINESS MANAGEMENT**

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## **BACHELOR OF BUSINESS ADMINISTRATION**

### **FIRST YEAR**

#### **PAPER – I : BUSINESS MANAGEMENT**

|                 |                   |
|-----------------|-------------------|
| <b>UNIT I</b>   | <b>BUSINESS</b>   |
| <b>UNIT II</b>  | <b>MANAGEMENT</b> |
| <b>UNIT III</b> | <b>PLANNING</b>   |
| <b>UNIT IV</b>  | <b>ORGANISING</b> |
| <b>UNIT V</b>   | <b>DIRECTING</b>  |

#### **UNIT-I**

Business : Meaning, characteristics - Objectives and Essentials of Business - Classifications of Business - Distinctions between Business and Profession.

#### **UNIT - II**

Management : Meaning, Nature, Scope and Importance - Management is an Art, Science and Profession - Contributions of F.W. Taylor and Henry Fayol and Peter F.Drucker.

#### **UNIT-III**

Planning : Meaning and Nature - Purpose - Steps in planning - Types of plans - Merits and Demerits of planning - Decision Making : Meaning, Types and Process - M.B.O. (Management By Objectives).

#### **UNIT-IV**

Organising : Meaning, Nature and Principles - Purpose - Types of organization structure - Span of Management - Delegation of Authority - Centralisation VS Decentralisation - Departmentation.

#### **UNIT - V**

Directing : Principles of Directing - Nature and Needs - Leadership: Meaning, Traits and Styles of Leadership (Without Theories of Leadership) - Motivation: Meaning, Process and theories (Maslow's and Herzberg's). Co-ordination: Meaning and Needs for Effective Co-ordination. Controlling: Meaning, Elements and significance - Steps in control process.

## UNIT - I

### 1.0 INTRODUCTION

In those days men was living in caves & they produced goods which they wanted. Later they exchanged the goods which was excess to him. Like wise they produced commodities according to their skill. This exchange of goods for goods is called as barter system.

After some years, human wants because more & more, commodities was increased & exchange was done for cash this is called as monetary transactions. This was termed as Business.

#### **Meaning :-**

Exchange of goods & services for money to satisfy human wants.

"Yesterdays Luxurious became Today's necessities"

#### **Definition :-**

"Business refers to a form of activity with the object of earning profit for the benefit of those on whose behalf the activity is conducted.

- *L.R.Dicksee.*

### CHARACTERISTICS OF BUSINESS

#### **(a) Sale, Transfer (or) Exchange of goods & services for value.**

Business involve purchase of goods (or) materials & sale for personal consumption through transfer of money.

#### **(b) Continuity of Dealings:-**

The exchange of goods & services should be undertaken continuously.

Eg. If person sells his T.V set & gains some profit thereon, it does not constitute business. But if he regularly deals with T.V. sets then it is called business.

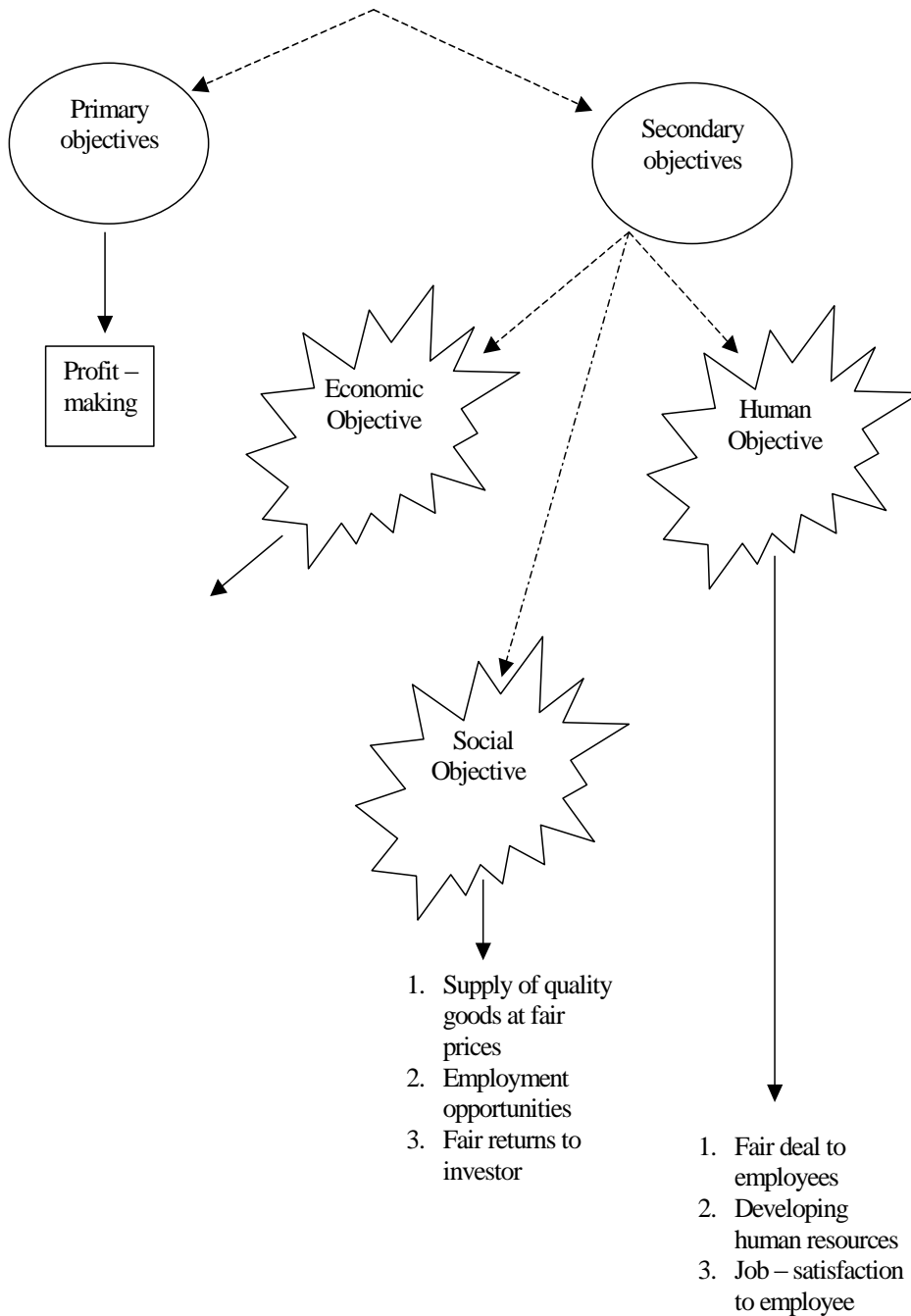
#### **(c) Profit Motive :-**

Profit, is the ultimate aim of any business. It may have other motives also. But if this motive is absent, business has no meaning.

#### **(d) Uncertainty & Risks :-**

Earning profit depends upon risk & uncertainty we undertake. Each & every business man accept risk & get returns in form of profit.

## OBJECTIVES OF BUSINESS



### CLASSIFICATION OF BUSINESS.

The business is classified into 3 types. They are called as component of business. (ie) Industry, Trade & commerce.

**Industry:-**

It is referred to production of goods and materials.

**Trade :-**

It is one of the branch of commerce. Exchange of goods is possible with the help of commerce.

**Commerce:-**

It involves different types of activities which facilitates trade. It aids the trading activities.

From manufacturing concept till selling concept the three broad categories is involved such as trade, industry & commerce.

**(A) INDUSTRY:-**

It involves in raising, producing processing of products. It is broadly classified into five types.

**(a) Extractive Industries :-**

These industries are engaged in extracting & supply products from earth, air & water.

Eg. Farming, mining , fishing & Agriculture

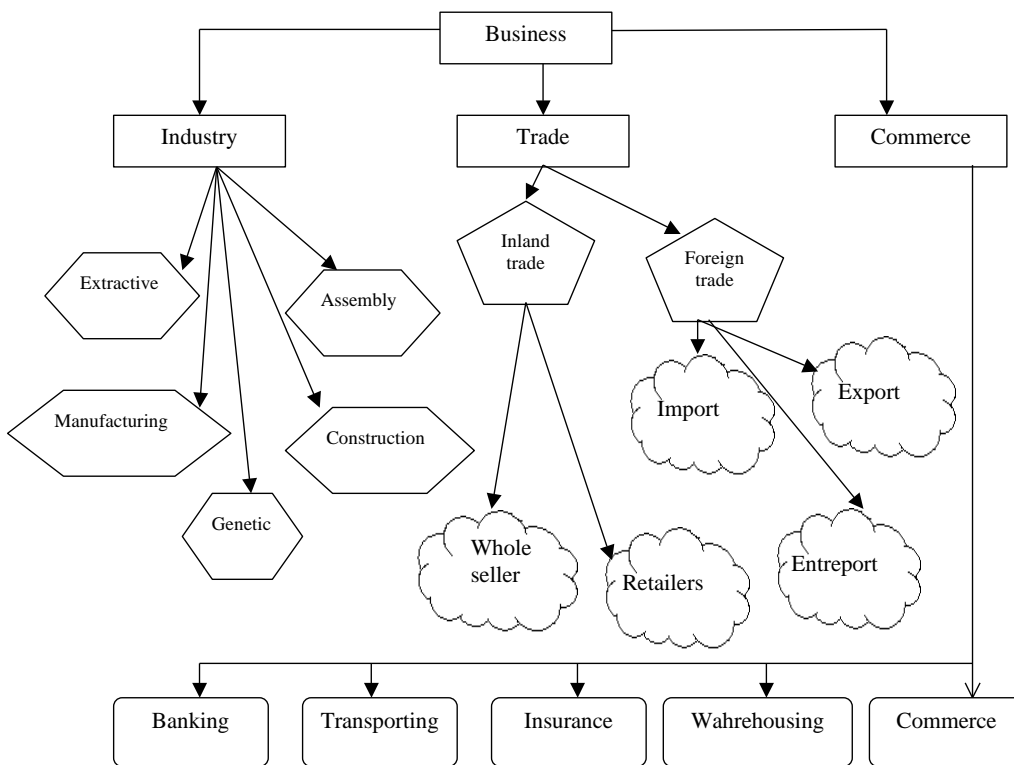
**(b) Manufacturing Industries :-**

These industries are concerned with the conversion of raw material or semi-finished goods into finished goods.

Converted

Eg. Bamboos                      paper

Converted                      Sugarcane                      sugar



**(c) Genetic Industries :**

These industries involve in the production & multiplication of plants & animals.

Eg. Breeding of plants, seeds, Cattle breeding, Poultry farming & fish culture.

**(d) Construction Industries :-**

These industries are engaged in construction of roads, bridges, canals, building, dams etc. Here products of extractive industries as well as manufacturing industries are used as raw materials.

**(e) Assembly industries :-**

They involve making of various components & assembling the same in final state to make a single product.

Eg. Manufacturing of automobiles.

**B) TRADE :-**

It is classified into three forms.

**Inland Trade :-**

Trade done inside the country is called as inland trade. It is done by means of wholesaler & retailer. Who act as a mediator between producer & consumer.

**Foreign trade:-**

It is done outside the country. It involve three types.

**(i) Export:-**

Sending of goods to other countries is called export.

**(ii) Import:-**

Getting goods from other countries is called import.

**(iii) Entreport :-**

It means re-export. Importing the products from other countries & re-exporting to other countries.

Eg. Europe imports tea from India & re-exports it to Hungary, London & Bulgaria.

**(c) COMMERCE:**

It involve different aids which helps to do business.

**(i) Banking:-**

It is one of the major commercial activity which involves money transactions.

**(ii) Transporting:-**

It is one of the means by which goods are distributed to every nook & corner.

**(iii) Insurance :-**

Every business man do business by undertaking risk. In order to overcome the risk, insurance is essential.

**(iv) Ware housing :-**

The goods produced are stored near the market place to meet consumers demand.

**(v) Merchantile agent :-**

The whole business system is undertaken by means of agents such as wholesaler, retailer & middleman. They act as middleman for distribution of goods between producer & consumer.

It is clear from above discussion that trade is a branch of commerce & business includes trade, commerce & industry.



## BUSINESS & PROFESSION

### **Business :-**

Earning profit by supplying goods & services.

### **Profession :-**

It is an advice or service rendered by one or group of persons. It does not include manufacturing & selling of goods eg. Doctors, Advocates.

| S.No | Topics                    | Business   | Profession  |
|------|---------------------------|--|---|
| 1.   | Educational Qualification | 1) They are not expected to have specific academic qualification.      | 1) Specified qualification  |
| 2.   | Expert in the field       | 2) Business man need not have expertised knowledge in his field        | 2) They must be expert in their field.  |
| 3.   | Personal Attention        | 3) He can appoint any body to manage the affairs of his business.      | 3) He has to perform the duties personally.                                   |
| 4.   | Name of the Reward        | 4) Reward is profit  | 4) Reward is fees.  |
| 5.   | Code of conduct & Ethics  | 5) There is no code of conduct & ethics to be followed.                | 5) They have to follow code of conduct & ethics.                              |
| 6.   | Governing body            | 6) Conduct of business man is not governed by any body or association. | 6) Professionals are governed by the association to which he belongs.         |
| 7.   | Motive                    | 7) Earning profit - Primary<br>Service – Secondary                     | 7) Primary motive is service<br>secondary motive is profit                    |
| 8.   | Advertisement             | 8) Only through advertisement business man earn profit & survive       | 8) He cannot advertise except displaying a name board in front of his office. |
| 9.   | Member involved           | 9) 2 or more persons   | 9) Only one person.   |
| 10.  | Capital investment        | 10) Sizable capital depending on size of business                      | 10) Little capital to establish.  |

## **Business Ethics**

It means good thinking, Business man should maintain morality towards customers, Government & workers.

### **Definition :-**

"Business ethics is study of moral, rightness & wrongness of the act involve in production, distribution & exchange of goods & services".

*- T.M. Garred*

### **Code of Business Ethics :-**

Ethics means thinking in right sense & doing good things for the society, workers & government in following ways.

- To pay fair wages.
- To give fair treatment, to all employees.
- Not to practice unfair trade practice.  
Eg. False weight, false measurement, misleading advertisement etc.
- Not to bring very low price in order to eliminate competitions.
- Not to show untrue account statement.
- Correct payment of dues, taxes etc.
- No adulterations.
- Reasonable & correct quantity, quality & price is to be followed.
- Supply of goods according to demand.
- Co-operating with publics, government policies & Society.



## UNIT - II MANAGEMENT

### **Introduction :-**

The single persons depends on following factors to live in society.

We born in a family

We live in a society Organisation

Work in a Business, College, School,  
Offices, armies etc.

Organisation means group of people working together to achieve common objective.

There should be a **Central agency** to perform task called as **management**.

The central agency should constitute minimum two persons.

### **Meaning :-**

Management is an art of getting things done by a group of people in the effective utilization of available resources.

Manager fulfills the objective by getting efforts of individuals.

#### **(i) Definitions of Management :-**

According to Peter.F.Drucker management is a multipurpose Organ that manages a business, managers & workers.

From this definition 3 important task of manager is studied.

(i) To provide economic result.

(ii) To utilize available material & human resource.

(iii) To make work suitable for human beings.

**(ii) Management is the art & science of decision making & leadership - Donald J. Clough.**

**(iii) "Management is the force which leads, guides and directs an organisation in the accomplishment of a predetermined object". - J.N. Schulze.**

**(iv) Management is the process & agency which directs & guide the operation of an organisation in the realizing of established aims. - Ordway Tead.**

## **Nature of Management:-**

### **1. A universal process :-**

Management involves the co. ordination of human & material resources towards accomplishment of organizational objectives. Basically, it is mental work, concerned with thinking, feeling & intuiting.

### **2. Purpose or goal oriented:-**

Organisational objectives are determined by people who create the organisation, control & manage its affairs. Organisational goals may be profitability, market standing, innovation, workers performance & attitude etc.

### **3. An abstraction:-**

Management is only a word, an idea. It is non-existent. It is only an abstraction. It is concerned with efficient use of money, men , material, machine & methods . One can see the effect of management, rather than management itself.

### **4. Multi Disciplinary:-**

Management is studied in the context of relevant disciplines such as sociology, psychology, anthropology, economics, political science, philosophy & mathematics. So management is multi disciplinary.

### **5. Dynamic Principles:-**

The principles of management is not rigid . They are flexible & liable to change with changing environment.

### **6. Management as a systems of authority:-**

Managers hold position which are superior in states to their subordinates. Managerial authority should be exercised properly & correctly.

## **Management is an Art**

An art may be defined as a skill or knowledge in a particular field of activity. It is true in management because number of scientific techniques & methods have been developed to facilitate decision making. And it is this apart of decision making that raises management to level of art.

The art of management places particular emphasis on

#### **(i) Past experience**

Experience is the sum total of knowledge, skill & practice. It should enable to guide their subordinates towards these goals, he should understand, predict & control their behaviour.

**(ii) Common sense:-**

Sense implies a reliable ability to judge & decide with soundness, prudence & intelligence.

**(iii) Managerial skills :-**

- ❖ Establishment of the overall purpose or policy of the organisation.
- ❖ Planning & forecasting.
- ❖ Organisation of work allocation and duties & responsibilities.
- ❖ Giving instruction or orders.
- ❖ Checking performance according to plan &
- ❖ Co ordination of work of others. Hence managerial skill is the style in which these functions are discharged.

**Human understanding :-**

The manager is one who exercises control over the use of resources of an organisation. Manager has a opportunity to control over sub ordinates (ie Human beings). Therefore it require great deal of creativity & imagination.

**Conclusion**

Any art has 3 essential components, namely the artist vision, knowledge & successful communication. Since management possess all these components & can rightly be described as an art.

**MANAGEMENT AS A SCIENCE**

A science may be defined as "representing knowledge gathered by observation & experiment, critically tested, systematised & brought under general principles".

It is that management is a science refers to the application of scientific methods in making decisions & evaluating different courses of action.

**(i) Identification of Problems :-**

It involves correct recognition of a business problem before attempting a solution.

**(ii) Scientific Inquiry :-**

It seeks to examine & evaluate alternative courses of action to resolve a given problem taking into account the factors relevant to the problem & development of solutions.

**(iii) Choice of best available alternative**

After analyzing problem from all angles by using quantitative & non-quantitative techniques , duly taking into account the resource position of the business, the best available alternative is selected to resolve the problems.

**(iv) Rigorous control procedure:-**

In order to make the decisions correct severe control process has to adopted.

**(v) Validity of principles**

For the development of scientific management scientific methods & techniques are being increasingly applied to solve business problems.

**Conclusions**

Management is a field of knowledge that seeks to systematically understand why & how men work together to accomplish the stated objective & to make their co-operative effects more useful to mankind.

**Management as profession :-**

Now a days it is common to find universities and professional bodies imparting knowledge and training in various branches of management and people with such knowledge & training are widely preferred for managerial job in organisation.

**(i) Body of knowledge**

There is body of knowledge because management is a multi disciplinary.

**(ii) Social obligation**

Like a doctor or a lawyer, a manager is also engaged in serving the society in the sense that he uses scarce resources for production of socially useful goods & services.

**(iii) License or degree**

People with knowledge & training in the field of management are widely preferred for managerial jobs.

**(iv) Code of conduct**

Managers have no enforceable code of conduct, though the Indian management association has prescribed certain obligations, such non - disclosure of employees trade secrets, abstaining from making any personal gain at the expenses of the employer.

**Conclusion**

While management may not be regarded as a profession in the strict sense of the term, it is fast acquiring the attributes of becoming one. It is good that it is not formally recognized as a profession because in the case of management, the emphasis is rightly on performance rather than an academic training.

## **Contribution of Peter F. Drucker**

### **Introduction**

Peter F. Drucker was born in 1909 in Vienna. He was educated both in Australia & England. He started his career as a newspaper correspondent in 1929. He was also working as an economist in international bank for some time. Peter. F. Drucker became professor of Management in the New York University in 1950.

The concept of Management & its objective were introduced by Peter F. Drucker. According to him, management is not an exact science or professions. He also criticized scientific management & human relation approach.

### **Contribution**

#### **1. Nature of Management**

The basic objective of management is innovation. That is development of new ideas, combination of old idea with new idea & adoption of idea from other fields. Management is treated as discipline & profession.

#### **2. Function of Management**

Management is the starting point of any institution. Management does not have any function of its own & existence. The existence & functions of management are concurrent with existence & function of a manager.

#### **3. Organisation Structure**

An effective organisation structure has following 3 basic characteristics. They are

- (i) The structure is framed in such a way that it enables smooth performance.
- (ii) Containing possible minimum no. of managerial levels &
- (iii) Providing a chance to test the ability of young people who are accepting the responsibility.

#### **4. Centralised control with a structure of decentralisation**

It is similar to our Indian constitutions. Central Government has more power compared to state government according to Drucker, top management has more powers in various departments. But the decisions regarding the departments have to be taken by both of them. Department are allowed to take decisions within the limit set up by the top management.

#### **(v) MBO (Management by Objectives)**

Drucker introduced the MBO concept in 1954. Later it was modified by Schelsh and termed as management by results. Methods of planning setting standards, performance appraisal & motivation are the components of



management by objectives (MBO) which gives importance to self control rather than control made by others, so it is necessary to change organisation it self.

**(vi) Organisational changes**

Drucker has visualized rapid changes in society due to rapid technological development. Besides, he realizes the impact of such changes on human life. So, he stressed that human beings should develop an attitude to face the changes & consider them indispensable for making the society better. Dynamic organisation is developed only by absorbing the rapid changes.

**IMPORTANCE OF MANAGEMENT**

The success & growth of an organisation depends largely upon the efficiency & effectiveness of its management. Every business needs a direction. Therefore management plan activities, utilize available resources at minimum cost. Therefore management is necessary for proper functioning.

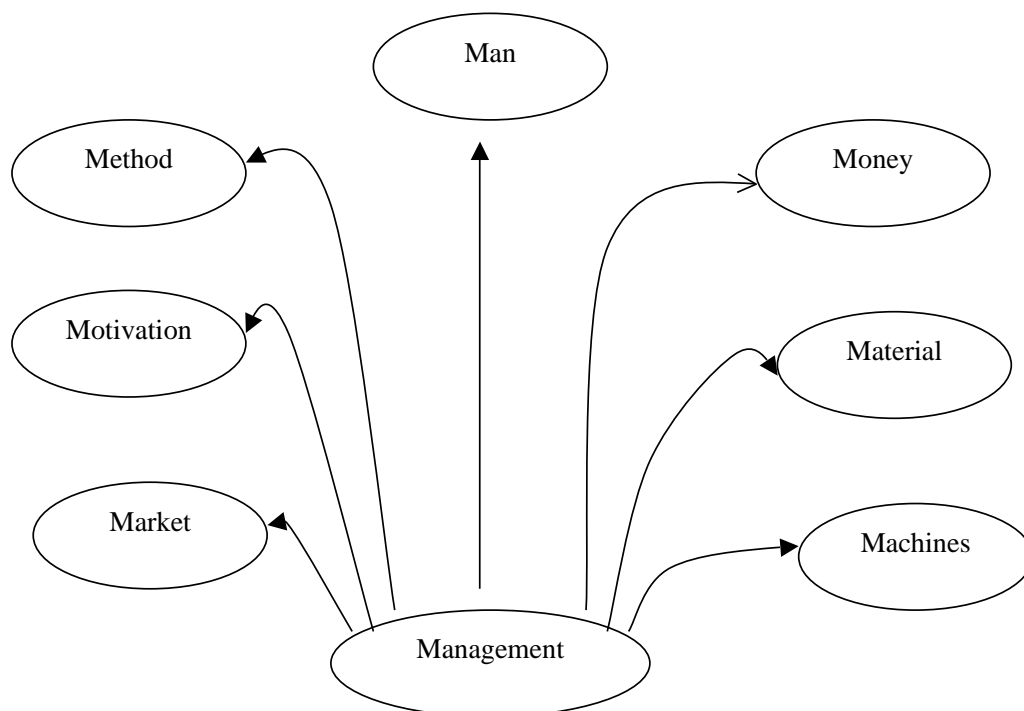
**1. Achievement of group goals:-**

Only when there is management, goals can be achieved through proper planning, adjusting with business environment, quality of decision & controlling.

**2. Management meet the challenge of change :-**

In the modern world, there are frequent changes. Due to competition , business faces dangerous position, which can be saved by management.

### 3. Optimum utilization of resources:



The above said eight M's are called as resources where management control the M's.

Management makes worker's efficient & motivated through training, supervision & control.

### 4. Human Development

Management should direct for development of human resources which improves efficiency & productivity. A manager should be a friend & guide to his sub-ordinates.

### 5. Stability

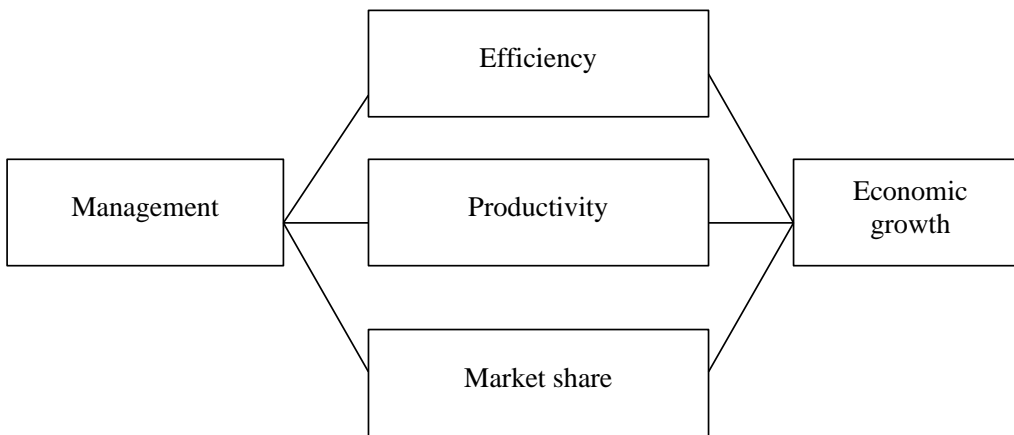
The fluctuation of business are caused by changing policy of government, competitors, taste & preference of customers. Therefore efficient management can run the business according to fluctuations.

### 6. Innovations:-

New ideas are developed by the management & implemented in the organisation.

### 7. Economic growth:-

Management makes workers efficient experience. Through this productivity is increased, therefore organisation develops. In turn economic growth is achieved.



### 8. A tool for personality development

Management gives direction to workers for effects performance of job. New methods are taught to workers. Training facilities are arranged. Therefore personality of workers is developed.

### CONTRIBUTION OF FREDERICK WINSLOW TAYLOR

#### HISTORY:-

F.W.Taylor is known as the 'father of scientific management'. He started his carrier as an apprentice in small machine shop in Philadelphia (USA) in 1875.

He got experience in 3 companies Midvale steel works, simonds Rolling Machines & Bethlehem steel company. He found there was wastage & inefficiency in workers. This is due to ignorance on both the part of workers & management.

He founded that there was no clear cut division of responsibilities between management & workers. He suggested that there is a science for each job. Taylor found that greater output was possible through systematization & stadardisation of methods of doing work.

#### Findings :-

Taylor wrote many papers on his experiments & published book called "Principles of scientific management" - 1911.

Shop management - 1903

The art of cutting metals - 1906.

### PRINCIPLES OF SCIENTIFIC MANAGEMENT

According to F.W.Taylor, scientific management consist of certain philosophy of scientific selection & training of right workers for right job.

∴ Scientific management consist of

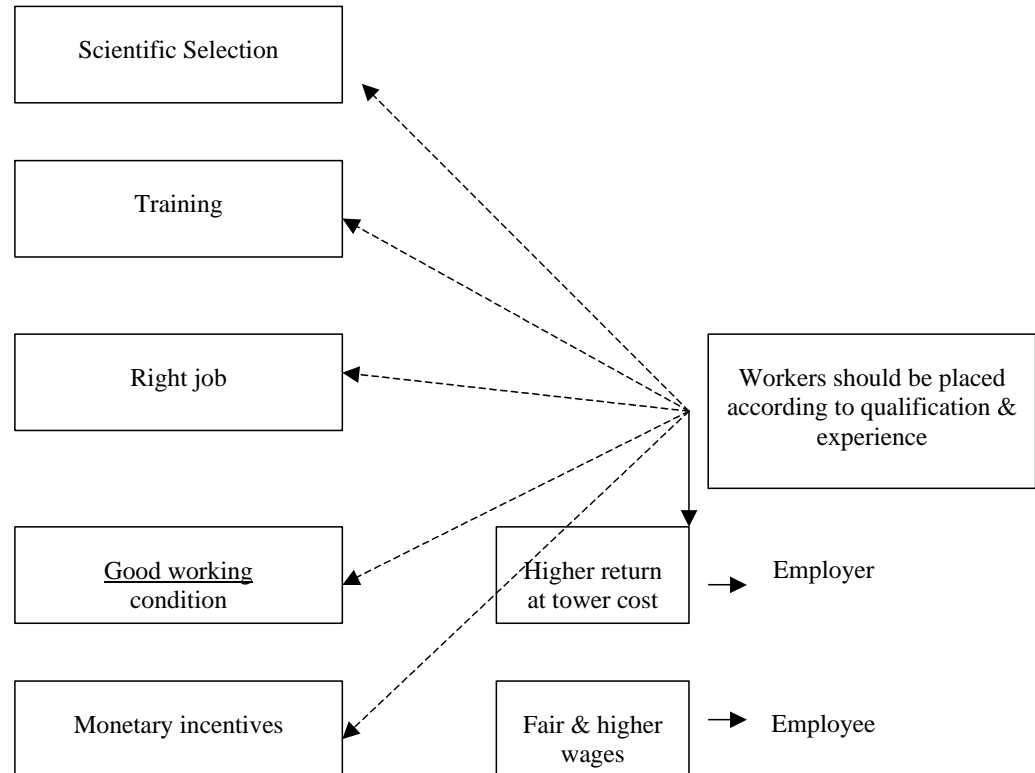
## PRINCIPLES OF SCIENTIFIC MANAGEMENT

### 1. Science not rule of thumb :-

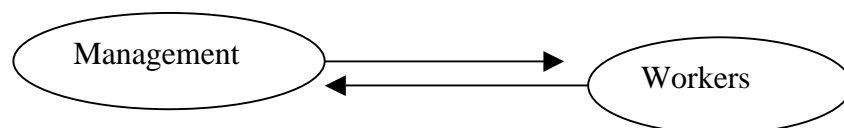
It means replacement of old method of doing work. It includes allotment of fair work, fixing standard, adopting differential piece rate system.

### 2. Harmony in group action:

Dissatisfaction is avoided in group action. But group harmony can be obtained through selection, training & strategic planing of workers.



### 3. Co. operation



ie. Worker help the management to get larger profit, better quality products & lower cost of production. In turn management should provide fair wages. Therefore mutual understanding & confidence are factors of co. operation.

### 4. Minimum output:-

The output can be maximized by providing standard material, tools & working condition to workers for their efficient work. With all these factors division of work should be clear.

## 5. Improvements of workers:-

Workers are scientifically selected & trained for development of company.

### TECHNIQUES OF SCIENTIFIC MANAGEMENT (OR) FEATURES

#### 1. Time study:-

It is time required to perform a particular job.

#### 2. Motion Study:-

It is study of movements of both worker & machine tools to identify & eliminate unnecessary movements.

#### 3. Scientific task planning:-

Fixing the work to each worker according to his capacity. He should be able to complete in a working day. Taylor called it as "Fair days' work".

#### 4. Differential piece rate system:-

Taylor suggested that there should be direct link between wage & productivity.

Eg : In a shoe company two piece rate system was adopted.

ie. Standard O/P production is 10 units.

For low o/p rate is Rs.1/Unit

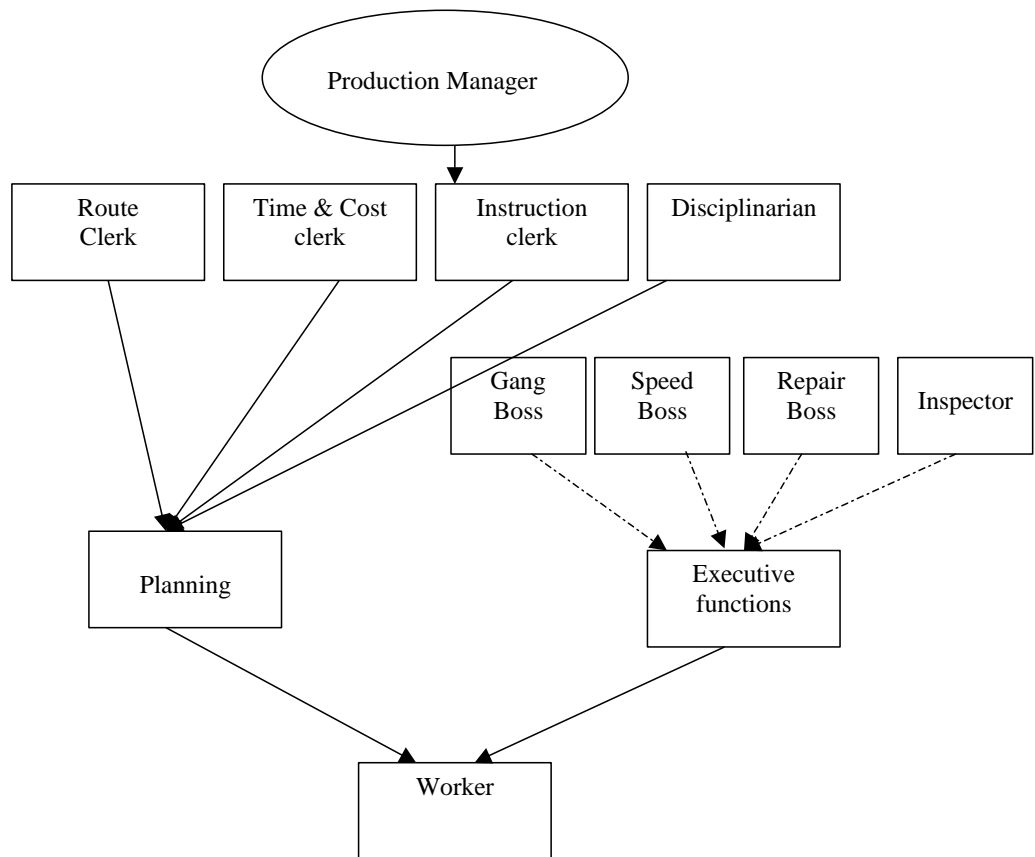
For high O/P rate is Rs.1.50 / Unit. There are 2 workers A & B who produces 8 and 12 units respectively ie.

A's wages = 8 units =  $8 \times 1$  = Rs.8

B's wages = 12 units =  $12 \times 1.50$  = Rs.12

### Functional Foremanship

Taylor suggested the system of Functional foremanship under which 8 supervisors supervise a worker's job.

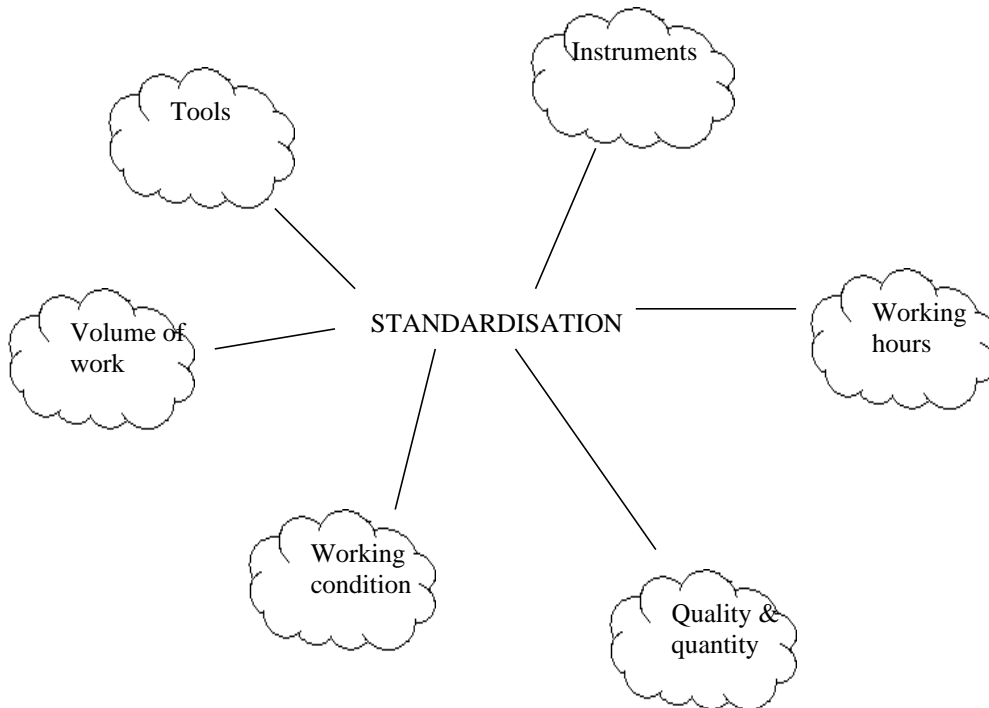


First four supervisors undergo planning function & other four supervisors carry out the work. These 8 supervisors guide the workers.

#### 6. Fatigue Study :-

The study relating to the fixing of working hours with rest periods to enable the workers to perform efficiently.

## 7. Standardisation :-



These are fixed on the basis of job analysis.

## 8. Financial Incentives :-

Financial incentive should motivate the workers to show their efficiency. F.W.Taylor suggested differential piece rate system.

### HENRI FAYOL CONTRIBUTION

#### Life History:-

Fayol joined as engineer in 1860 in a mining company & became chief managing director. He retired in the year 1918. His studies was mainly on job management.

#### Publication:-

- |   |   |               |
|---|---|---------------|
| 1. General & industrial management        | - | 1916 (French) |
| Translated in English                     | - | 1929          |
| 2. Lectures on Management                 | - | 1900 & 1908   |
| 3. Principles of Management became famous | - | 1949          |

Fayols contribution to management can be classified into four categories.

#### I. Classification of Business activities :-

Henry fayol believed that successful functioning of any business depends upon performance of six functions.

(i) Technical

Production

(ii) Commercial

Buying

Selling

(iii) Financial

Exchange

Optimum use of capital

(iv) Security

Protect property & persons

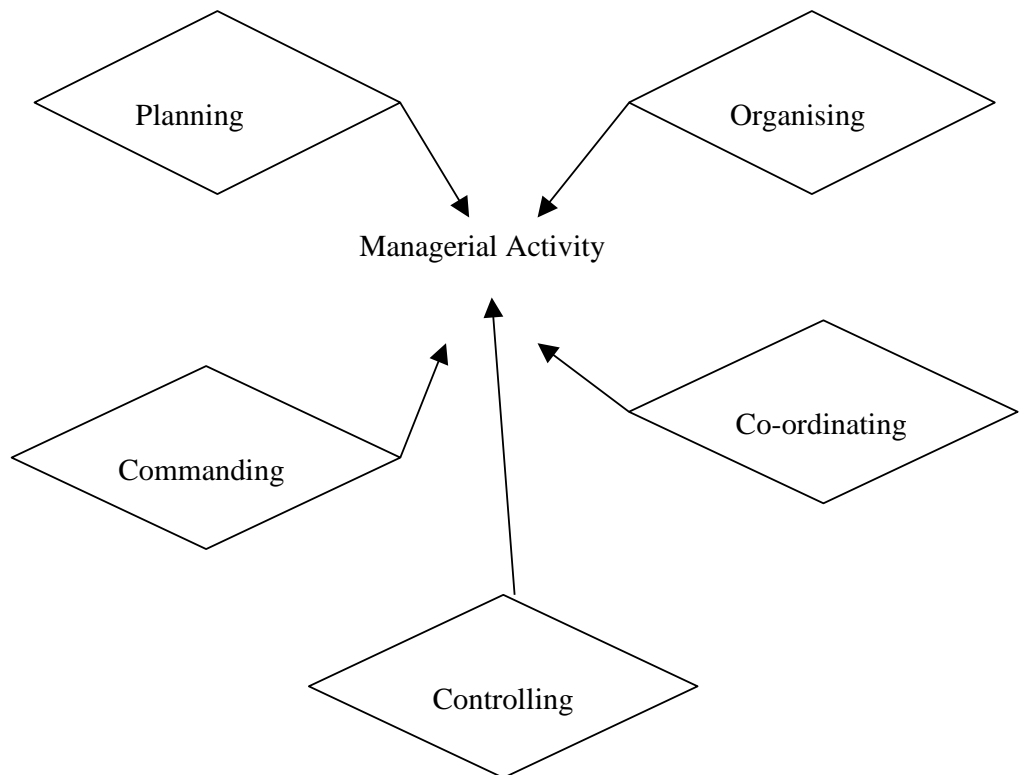
(v) Accounting

Record Keeping

Costing

(vi)

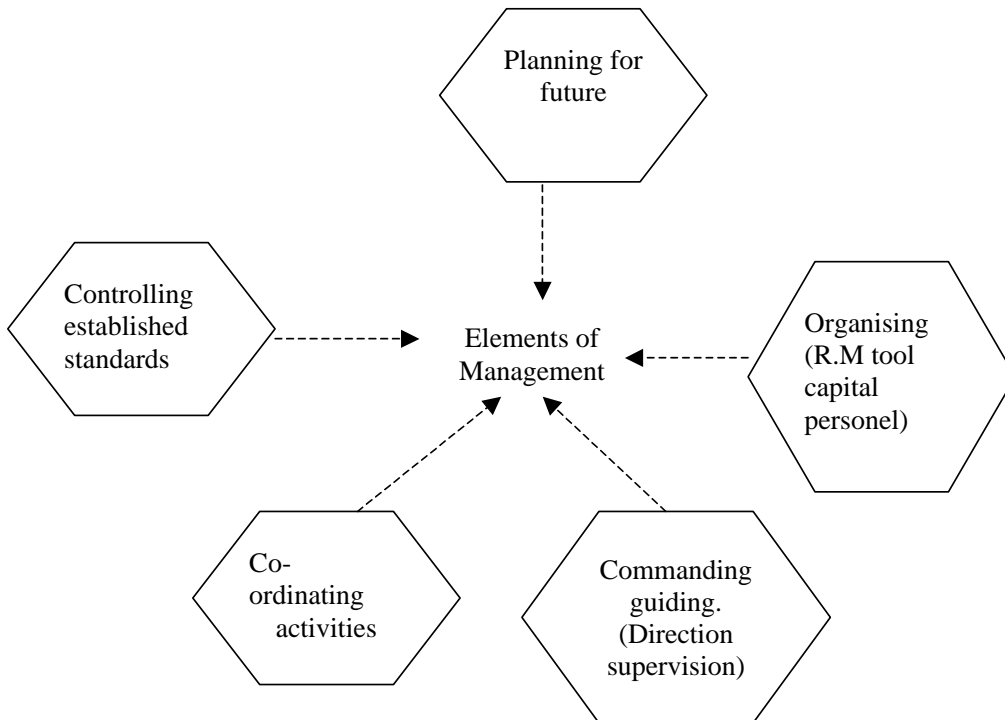
Statistics





## II. Elements of Management

Fayol classified elements (or) functions of management as follows



## III. Managerial . Qualities & Training

Fayol identified following qualities for manager.

- (i) Physical → Health & address
- (ii) Mental → Ability to understand & learn judgement
- (iii) Moral → Energy, firmness, loyalty
- (iv) Education → General
- (v) Special knowledge → Technical , commercial, financial etc.
- (vi) Experience → Knowledge arising from work

## IV. Universal Principles of Management :-

Henry Fayol gave 14 principles on basis of his own experience in mining company.

### 1. Division of work:-

It helps a person to acquire an ability & accuracy. Therefore efficiency of workers in increased.

### 2. Authority & Responsibility"-

A superior gives direction to his sub-ordinate to perform his job, here his authority is exercised, but responsibility is essential to perform job correctly.

**3. Discipline :-**

According to Koontz & O'Donnell "Discipline is respect for agreements to achieve obedience, application, energy etc. It is essential in all levels of management.

**4. Unity of command:-**

Each subordinate is responsible to only one superior. If not so, job is not performed correctly.

**5. Unity of direction:-**

The authority to give direction is given to the managers. He is expected to look after the activities of a particular group assigned to him.

**6. Subordination of Individual interest to group interest:-**

The interest of employees is individual interest & interest of an organisation is group interest. Fayol expected reconciliation of individual interest with group interest.

**7. Remuneration of personnel:-**

The amount of wages & method of payment should be fair. It should provide satisfaction for both employer & employee.

**8. Centralisation :-**

Responsibility is higher for superior under centralization. It is lower under de-centralisation. It depends upon superior's morality & reliability.

**9. Scalar Chain:-**

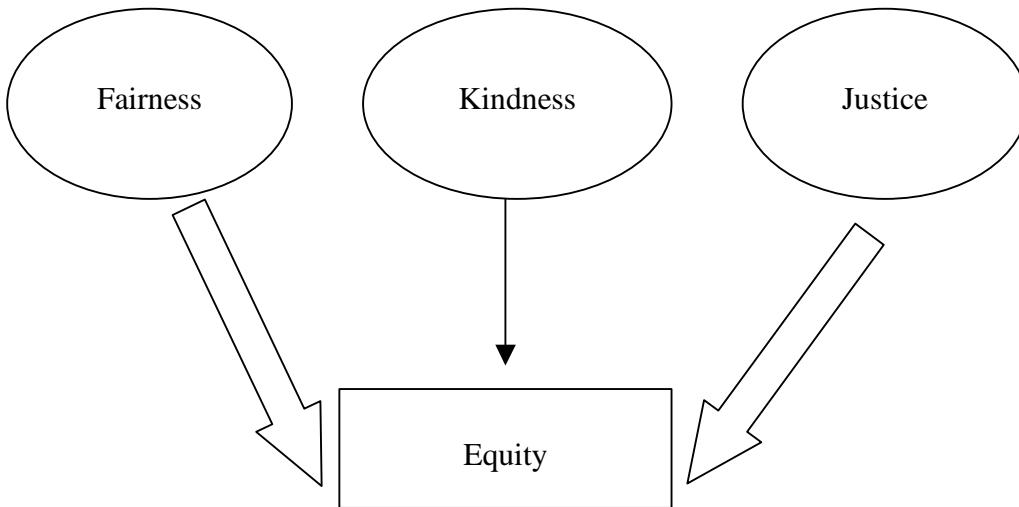
According to Fayol authority flow from top to bottom.

For eg. A is superior. B,C & D are sub-ordinates. If A want to communicate anything to D, it passes through B & C. Like wise if D want to communicate anything to A it passes through C & B. This is called scalar chain.

**10. ORDER**

The principle of right place for every material should be followed by management as well as men are selected scientifically and duties are assigned according to the qualification & experience.

**11. Equity:-**



All employees of the organisation is treated equally. It requires goodness and experience of managers.

**12. Stability of tenure of personnel:-**

Job security is essential for employee. Sufficient time should be given to become experienced in a particular work. Unless & otherwise an employee has committed a mistake, no employee should be removed from service.

**13. Initiative :-**

Employees at all levels should be given freedom to think & use his ideas for formulation of plans. It provides job satisfaction.

**14. Espirit de corps:**

This means union is strength, it refers to harmony & mutual understanding among members of an organisation. The management should take corrective steps to remove them different opinions & misunderstanding. They should not follow policy of "Divide & Rule".



## **UNIT - III**

### **PLANNING**

#### **INTRODUCTION:-**

Planning is the fundamental function of management. Due to frequent environmental changes organisation has to adjust with changes for which planning is essential. Effective planning facilitates for achievement of objectives.

#### **Definitions :-**

- (1) " Planning is deciding in advance what to do, how to do it, when to do it & who is to do it" - **Koontz O'Donnel.**
- (2) "Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the pre-determined goals" - **Henry Fayol.**
- (3) "Planning is an attempt to anticipate the future in order to achieve better performance" - **Hodge & Johnson.**

#### **NATURE OF PLANNING :**

##### **(i) Planning is primary function:-**

Planning is the basis of the management process. Only after planning other functions is continued. Without planning there is nothing to organize & control.

##### **(ii) Planning is goal oriented :-**

Planning is based on objectives. If there is no objective planning becomes meaningless. The objectives can be attained easily only through planning.

##### **(iii) Planning is an intellectual activity:-**

It is a mental process. It involves imagination, foresight & sound judgement. It includes selection of best alternatives available.

##### **(iv) Planning is directed towards efficiency:-**

Planning leads to maximum output with minimum expenditure. It facilitates in achieving objective efficiently.

##### **(v) Planning is continuous process:-**

Planning does not comes to an end with starting of business concern. It is required throughout the life time of business.

##### **(vi) Planning is all - pervasive :-**

Planning is the function of every manager of all level, nature of planning decreases as we go to lower level.

Top management plan for long term planning.

Middle management plan for medium term planning.

Lower level management plan for short term planning.

**(vii) Planning involve choice :-**

Planning are decisions made from various alternatives.

**(viii) Planning is an integrated process:**

Planning is a structured process.

Every lower level plans helps to achieve higher plans. It integrates different process.

**IMPORTANT (OR) PURPOSE OF PLANNING**

Planning helps the businessman get early success. It anticipates uncertain events. Planning is the foundation of most successful actions.

**1. Avoiding Business failures:-**

Planning selects best objectives, predicts Uncertainties, economy in operation & effective control, due to this business failures are avoided.

**2. Effective utilization of resources:-**

Planning involves deciding in advance of the business activities. This leads to complete work without delay. This leads for effective utilization of resources.

**3. Effective control:-**

Only, when there is planning standard is fixed. Therefore deviations can be found from actual performance from planned performance control can be exercised.

**Planning**

**Deviation**

**Control**

(Actual performance - planned performance)

**4. Economy in operation :-**

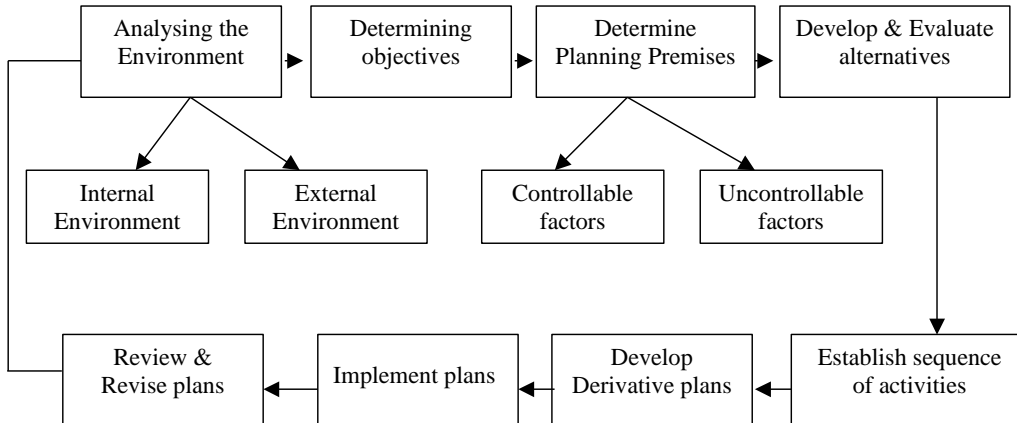
Planning selects any one of the available alternatives which gives best result at minimum cost.

**5. Help in co-ordination:-**

Co.ordination is obtained by planning, policies programmes & procedures. The other function are also co-ordinated.

## STEPS IN PLANNING PROCESS

The planning process is different from one organisation to other according to their nature & objectives.



### STEP 1 ANALYSING THE ENVIRONMENT :-

There are 2 types of environment to be analysed in planning process.

#### (a) External Environment :-

This analysis helps to identify opportunities & constraints for the company. It studies environmental changes such as market condition, government policies, technological development, cultural etc.

#### (b) Internal Environment :-

It is a controllable factor. Analysis done inside the organisation. Eg. Plant capacity, manpower etc.

### STEP 2 Determining objectives:-

The organizational objective is important steps in planning. It should be clear & measurable. Defining objectives to each department and section is important.

### STEP 3 Determining Planning Premises:-

Planning is done for future. It is based on certain assumptions through which forecasting is done.

#### (a) Controllable factors:-

This is inside the organisation in which full control was under management.

Eg. Resources, techniques etc.

#### (b) Uncontrollable factors:-

This is beyond management control.

Eg. Population growth, economic condition, Government policies etc.

**STEP 4 : Developing & Evaluating alternatives :-**

The various alternatives should be identified. For eg. To increase sales there are may alternatives such as

- (i) Sales efforts
- (ii) Explore new market
- (iii) Develop new product
- (iv) Gifts & Coupons
- (v) Selling at credit

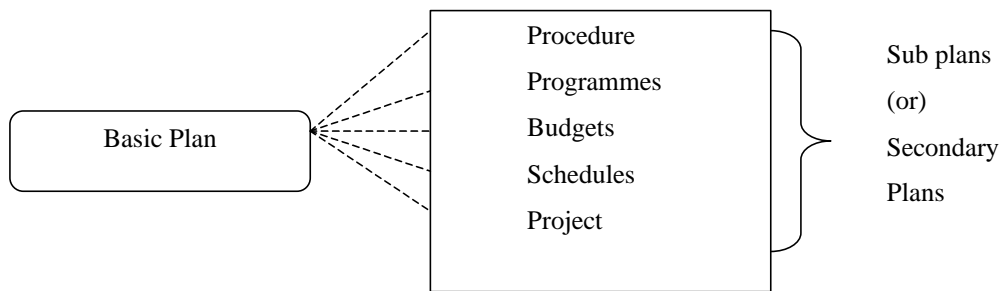
Each & every alternative is evaluated & best one is selected. No partiality is shown in selecting alternatives.

**STEP 5: Establishing sequence of activities :-**

After evaluation alternatives are arranged sequentially to check suitability. Finally, manager draft a final plan in definite terms.

**STEP 6 : Developing derivative plans : -**

Once basic plan is decided, various sub plans are formed.



**STEP 7: Implement the plans:-**

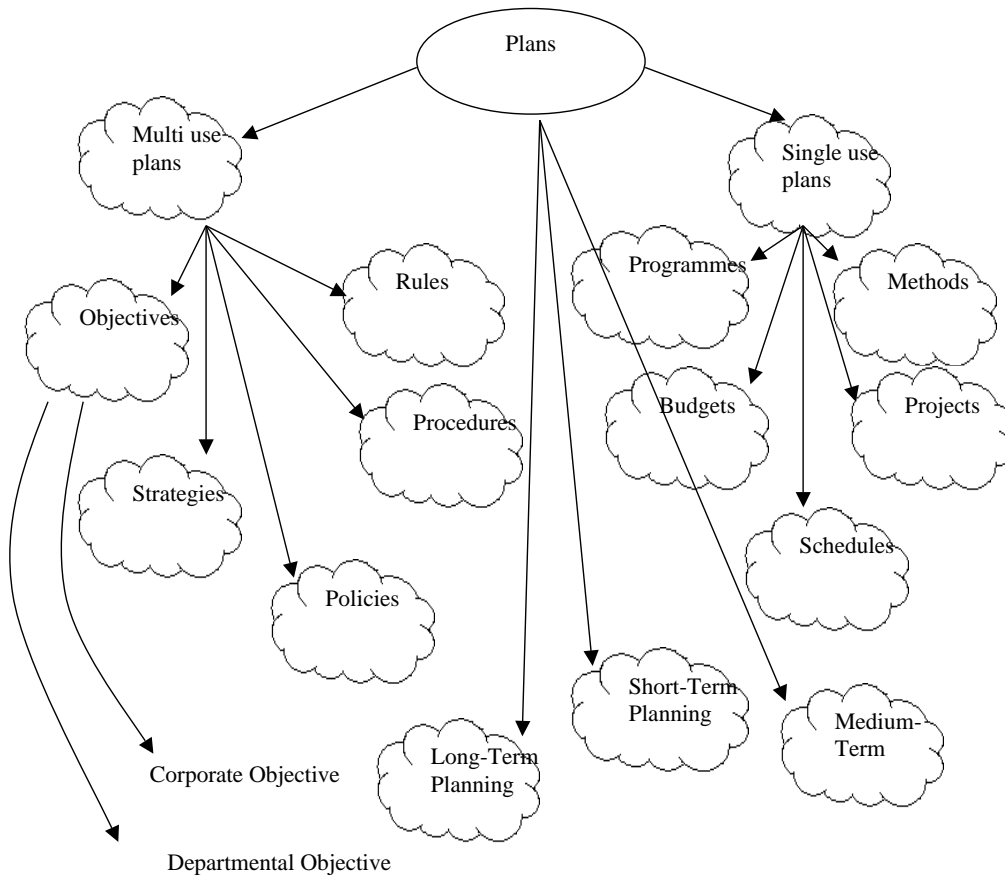
After framing basic & sub plans execution of plan is done. If plans are clear & well defined, participation of employee through communication & consultation is easy.

**STEP 8: Review & Revise Plans :-**

The management should follow up whether things are carried out according to planning. Therefore evaluation is necessary ie. Actual performance is compared with the planning & then if there is any deviation corrective action is done.



## Types of Planning :-



### Planning based on Time :-

On the basis of length of planning plans may be classified into Long - Term, Short - Term & Medium-Term Planning.

#### Long - Term Planning :-

Its planning period is 5-15 years. This planning is for future eg. Expansion, modernization, Diversification.

#### Short - Term Planning :-

Its period is 6 months to one year. The planning is done for inventory program, employee training, work methods etc.

#### Medium - Term Planning:-

Its period is between 2 - 5 years. It includes purchase of material, production, labour expenses.

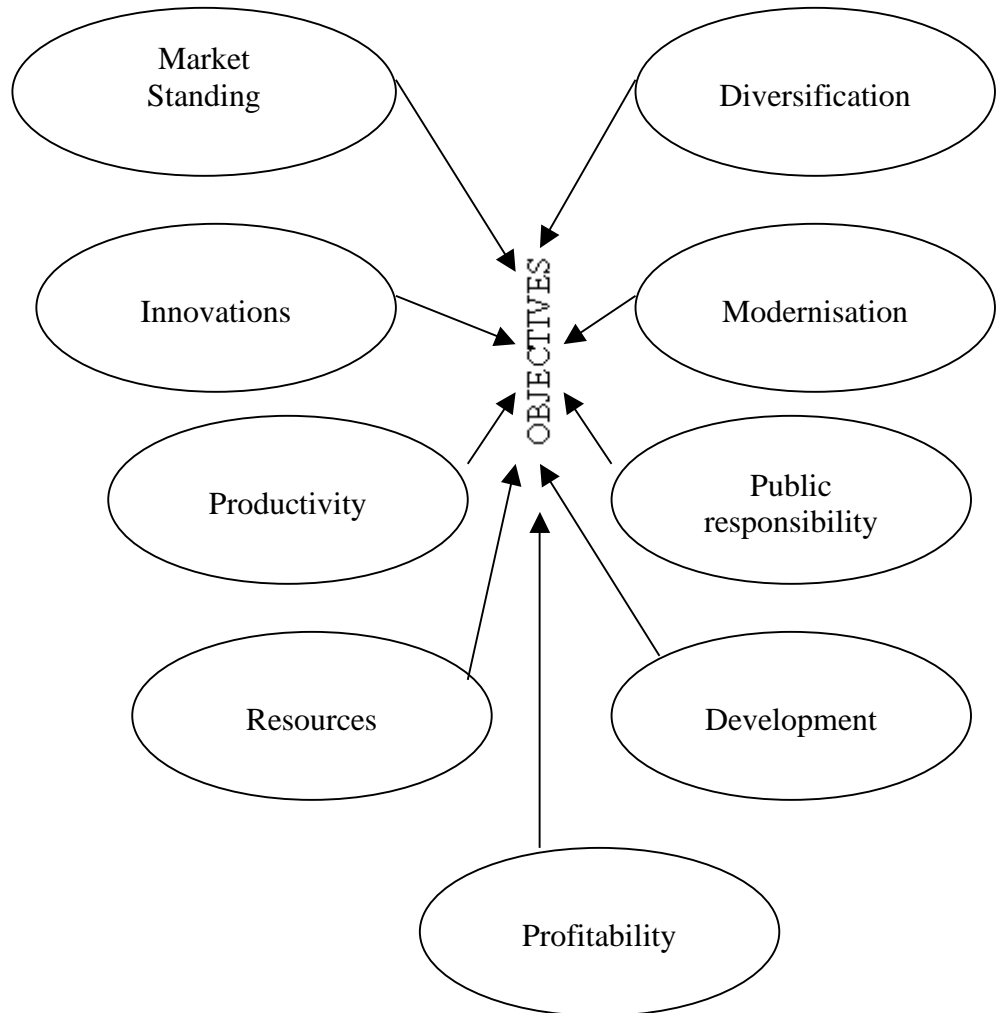
#### Multi-use plans :-

These are ever standing plans which serve as a guidelines with respect to daily activities.

**(A) OBJECTIVES :-**

It is defined as future desire of an organisation. Who seek & try to achieve.

key objectives for an organisation.



**(B) : Strategies :-**

It is an administrative course of action designed to achieve success in face of difficulties. It is a long term plan & forward looking.

The strategy for an organisation may be merging, market development, Developing new products etc.

**(C) Policies :-**

It is the limitation under which decisions are operated. It serves as a guideline for achieving objectives. It should be clear & revised regularly according to environment.

**(D) Procedure :-**

It is a sequence of steps to be undertaken to enforce policy & to attain objectives. In business, procedures are generally established for purchase of raw materials , processing of orders, selecting of employee etc.

**E) Rules :-**

If decision made by management regarding what is to be done & what is not to be done. It helps to regulate behaviour & to facilitates communication.

Eg. "No shipment or storage of goods without approval by the quality control selection".

**SINGLE USE PLANS**

**1. Programmes:-**

It is a combination of objectives, policies, budgets, task procedure. Programmes can be prepared for various activities such as development of a new product, training of employees, purchase of machinery etc.

**2. Budgets :-**

It is a statement of results expressed in numerical terms for a definite period of time in future. Budgets may be prepared for various activities such as production, sales personnel, advertisement, finance etc.

**3. Schedules :-**

It specifies time limits within which activities are to be completed. It is process of time sequence for work to be done. It is a time table for starting finishing dates for different activities.

**4. Projects:-**

It is a cluster of function for a definite purpose & definite time period. It is a defined as in terms of capital investment, specific objective etc. It facilitates co-ordination & control.

**5. Methods:-**

It is designed to achieve efficiency & it governs behaviour & performance of an employee. It facilitates to achieve standard. It involves different steps for completing a task.

**MERITS OF PLANNING**

**1. HELPS IN ACHIEVING OBJECTIVES:-**

Planning gives effective direction to the control of employees of the organisation. It set goal or objectives for an organisation.

**2. BETTER UTILISATION OF RESOURCES :-**

Planning decides what to produce & how to produce. There is possibility of utilizing the resources directly.

**3. ECONOMY IN OPERATION:-**

Unnecessary production, ineffective utilization of resources & unnecessary activities of an organisation are eliminated through planning. This results in economy of operation.

**4. MINIMISES FUTURE UNCERTAINTIES**

Planning sees changes & uncertainties that take place in future. According to it planning is done.

**5. EFFECTIVE CONTROL:-**

Control without planning is impossible one. Control is used only when there is good plan, planning provides basis for controlling.

**6. MOTIVATION:-**

A well-prepared plan encourages employee for effective participation. It motivates employee what to be achieved & what is its gain.

**7. IMPROVES ABILITY WITH CHANGE:-**

Planning helps managers to improve their ability to cope with changes but it cannot prevent changes from happening. This creates awareness among the managers.

**DEMERITS OF PLANNING**

**1. Inflexibility :-**

If the management has the philosophy of production of high quality goods at high cost, it may be difficult for them to plan for a cheaper quality products.

**2. Forecasts:-**

Planning is fully based on forecasts. If there is any defect in forecasts, the planning will lose its value.

**3. Unsuitability:-**

In planning, objective, policies, procedures etc are set after careful investigation of all the relevant factors. Since there is frequent changes there is a need for change in framed objectives & policies to face new opportunities. Hence planning is unsuitable.

**4. Time consuming :-**

The management cannot prepare any plan simply. It has to collect various information & discuss with others. So it takes lot of time.

**5. Costly:-**

Planning involves collection of necessary informations, analysis & interpretation which incurs money.

**6. Expert is Needed :-**

Planning is a mental exercise. Planning involves high level of imagination, analytical ability, creativity to choose best one. This characteristics is got only through high experience.

**7. Planning not suitable for emergency period:-**

If there is any emergency planning does not suit, spot decision dominates planning.

**8. Technological changes :-**

When there is change in technology the management faces number of problems. The management is not in a position to changes its policies according to technology. Here planning is affected.

**DECISION - MAKING**

**INTRODUCTION:-**

Decision making is the effective functioning of management. It depends upon the nature of work. It is day to day activity for the superiors. By decision making superior can extract the work from his subordinates & easily conclusion can be brought.

**Definition :-**

- (i) "D. M. is a process involving information choice of alternative actions, implementation & evaluation that is directed to the achievement of certain stated goals". - **Andrew Smilagyi**
- (ii) "D.M is the selection based on some criteria from two or more possible alternatives" - **George R.Terry**

**Characteristics of Decision - Making**

- (i) D.M. is a dynamic process
- (ii) D.M. involves application of intellectual abilities.
- (iii) It is a selection process. Best alternative is selected out of many alternatives.
- (iv) Decision is taken to achieve the objectives of an organisation.
- (v) A decision may be both negative or positive.
- (vi) Decision making evaluates the number of alternatives.

## **MANAGEMENT BY OBJECTIVES (MBO)**

### **CONCEPT:-**

It is a process where by superiors & sub. ordinates jointly identify the common objective, set the results that should be achieved by sub.ordinates.

It is an approach to management planning & appraisal in which each individual performance are established & results are measured.

### **Definitions :-**

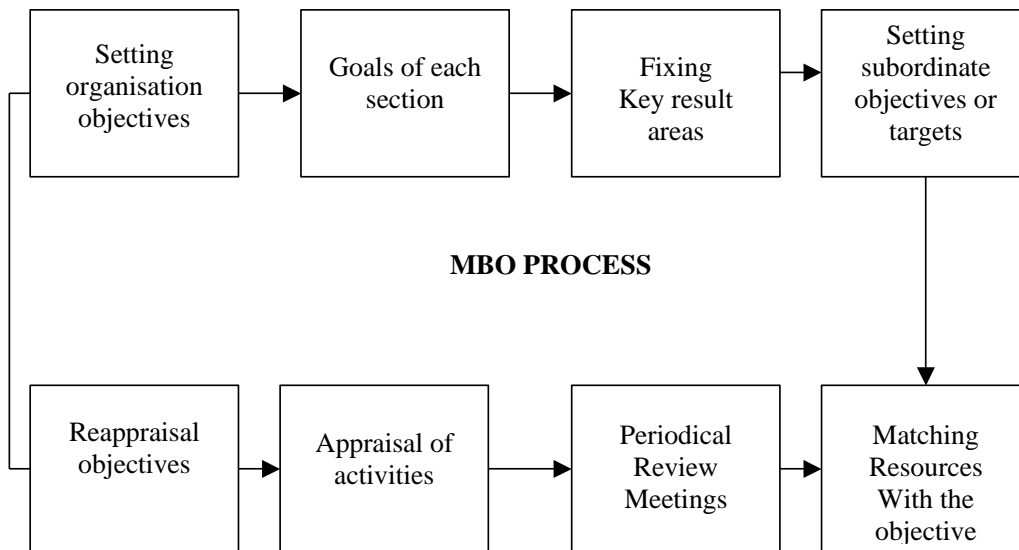
"According to George odiorne, MBO is system where the superior & the sub.ordinate managers of an organisation jointly identify its common goals, define each individual's major area of responsibility in terms of expected result".

### **Features of MBO:-**

1. It is an attempt made by management to integrate goals of individual & management.
2. It is merely set of procedures for managing & achieving objectives.
3. Management tries to attempt employee participation & involvement in decision making.
4. Self direction & self control are feature of MBO to increase organisation capability to achieve goals.
5. Performance of employees is periodically evaluated in the light of pre-determined targets. Rewards are governed by results achieved.
6. MBO is a continuous process, it helps in modifying the goals to suit changing condition.

## Process of MBO

It is characterized by the balance of objectives of organisation individual.



### Step 1: Defining organisational Objectives :-

Initially top management set the goals for total organisation. First long-term objectives are framed such as environmental opportunities, resources etc.

### Steps 2: Goals of each selection:-

Objectives for each department are framed in consultation with department heads period within which these objectives should be achieved is also fixed.

### Step 3: Fixing Key Result areas (KRA):-

KRA are fixed on the basis of organisation objectives. This indicates the strength of an organisation. Eg. Profitability, market standing innovations etc.

### Step 4: Setting subordinate objective (or) Target:-

Every superior expresses his opinion about what sub. ordinate should accomplish. He then ask what is sub-ordinates opinion. They are induced to set a standard for themselves.

### Step 5: Matching resources with objectives :-

The objectives are framed on the basis of availability of resources such as technical, Raw-materials, machineries etc. So there is a need for matching resources with objectives.

### Step 6: Periodical review meetings:-

The superior & sub-ordinate should hold meetings periodically in which they discuss the progress for achievement of objectives.

### **Step 7: Appraisal of activities :-**

A thorough evaluation is done on individuals performance at the end of the year. Corrective measures are taken by penalizing failures & rewarding for success.

The superior should identify reason for failure & steps should be taken to solve the problems.

### **Step 8: Reappraisal of objectives:-**

Since there is a frequent changes in dynamic world, organisation largely depend upon for changing objectives. Top management review existing objective & reframe new objective according to the changing situations.

### **Benefits of MBO**

#### **1. Result - oriented Planning:-**

Managers involve in objectives setting at various levels of management this ensures hard work to achieve them.

2. MBO provides a foundation for participative Management
3. MBO clarifies roles & responsibilities for each individual. It avoids overlapping authority.
4. Systematic evaluations is made with help of MBO.
5. Delegation of authority is easily done.
6. All level employees are motivated because rewards got link with performance.
7. Effective communication is possible through frequent interaction between superiors & sub-ordinates.
8. MBO provides opportunity to sub-ordinates participate in D.M. process, which develops workers human skills.

### **LIMITATIONS OF MBO**

1. Most of the manager do not know how MBO works, what is MBO & how does it works.
2. It is a time consuming process. It requires heavy paper work.
3. MBO gives stress on short term objectives & does not consider long term objectives.
4. Ego problem arises between superior & subordinate.
5. MBO leads to inflexibility in the organisation. Because of changing environment, goals have to be changed.



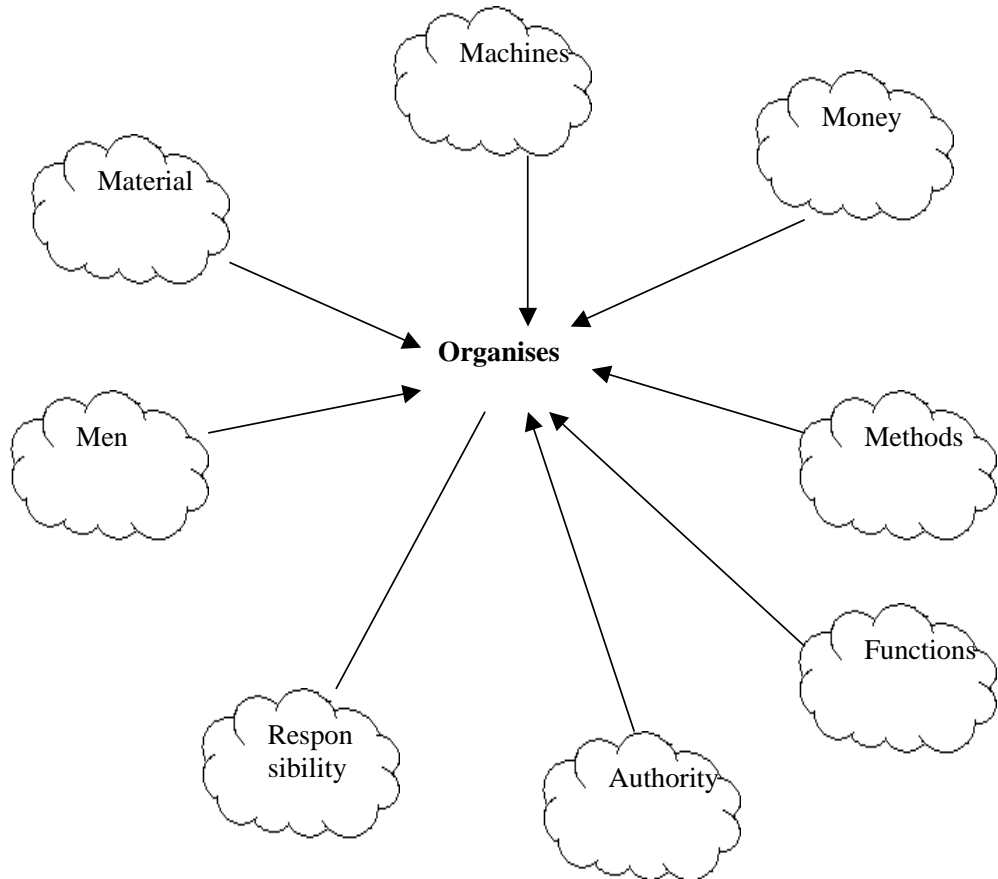


## UNIT - IV ORGANISING

### Meaning :-

The word organisation originated from "organism" which means organized body which connected with inter related parts.

The organisation consists of different departments & components.



### Definition:-

1. "Organisation is the form of every human association for the attainment of a common purpose - **Mooney**
2. "Organising is the establishing of effective behavioural relationships among persons so that they may work together effectively & gain personal satisfaction in doing selected tasks under given environmental conditions for the purpose of achieving some goal or objectives".

- **G.R.Terry**

## **Nature of organisation :-**

### **1. Division of labour**

The total work of an organisation is divided into function & sub-functions. There is no waste of time, energy & resources. It also provides benefits of specialisation.

### **2. Common purpose**

Every organisation is bounded to achieve some common goals. The activities of different departments or sections are co.ordinated to achieve common objective.

### **3. Authority - Responsibility structure**

There is an arrangement of positions of executives is graded. Sub.ordinate should have one boss. According to positions authority & responsibility is fixed.

### **4. Social system (or) People**

An organisation is basically a group of people. Therefore people are influenced by psychological needs.

### **5. Communication :-**

Channel of communication is necessary for effective co-ordination & mutual understanding. It may be formal, informal downward & upward.

### **6. Co-ordination :-**

Each & every department or section of the organisation should have relationship with each other to get mutual co-operation.

### **7. Environment :-**

An organisation functions in an environment comprises economic, social, political & legal factors. It is always in changing situation.

### **8. Rules & Regulations:-**

Every organisation has some rules & regulations for orderly functions of people. It may be in the form of writing (or) implied.

## **PURPOSE OF ORGANISATION**

**(OR)**

## **IMPORTANCE OF ORGANISATION**

### **1. Aid to Management :**

Only through frame work of organisation managerial function ie planning, direction & control are designed in organisation.

Assignment of responsibility among the sub-ordinate will be meaningful, proper authority & responsibility helps for effective co-ordination & control.

**2. Facilitates Growth:**

A well designated organisation provides division of work. Therefore it enters to new business lines, & faces new challenges. There is scope of innovation & diversifications.

**3. Ensures optimum use of resources :-**

A good organisation set up permits adoption of new technology. It helps to avoid duplication of work, which facilitates better utilization of human & physical resources.

**4. Helps in coordination:**

Organisation is important means of integrating individual efforts. It balances different departments & develop harmony of actions.

**5. Encourages Creativity & Initiative**

A sound organisational structure given an opportunity for a staff to show this hidden talents which help to achieve goals & highest profit.

**PRINCIPLES OF ORGANISATION**

1. Principles of definition
2. Principles of objectives
3. Principles of Specialisation or division of work
4. Principles of co-ordination
5. Principles of Authority
6. Principles of Responsibility
7. Principles of Explanation
8. Principles of Efficiency
9. Principles of uniformity
10. Principles of correspondence
11. Principles of balance
12. Principles of equilibrium balance
13. Principles of continuity
14. Principles of span of control
15. Principles of Leadership facilitation
16. Principles of exception
17. Principles of flexibility
18. The scalar principle
19. Principles of simplicity & homogeneity
20. Principles of unity of direction

21. Principles of joint decisions.

### **TYPES OF ORGANISATION STRUCTURE**

The internal organisation depends upon the nature, size & objectives of an organisation. There are different structures adopted between various positions.

#### **(A) Military (or) Line Organisation**

It is oldest type of organisation. It also known as scalar or military organisation. The authority flows from top to bottom in vertical line. They are in direct chain of command. It has two types of organisation.

##### **Pure line organisation**

If all individuals at same level perform same type of work & they grouped into divisions only to facilitate effective supervision & control.

##### **Departmental line organisation**

Work performed in each department is of different type.

##### **Features of Line Organisation:**

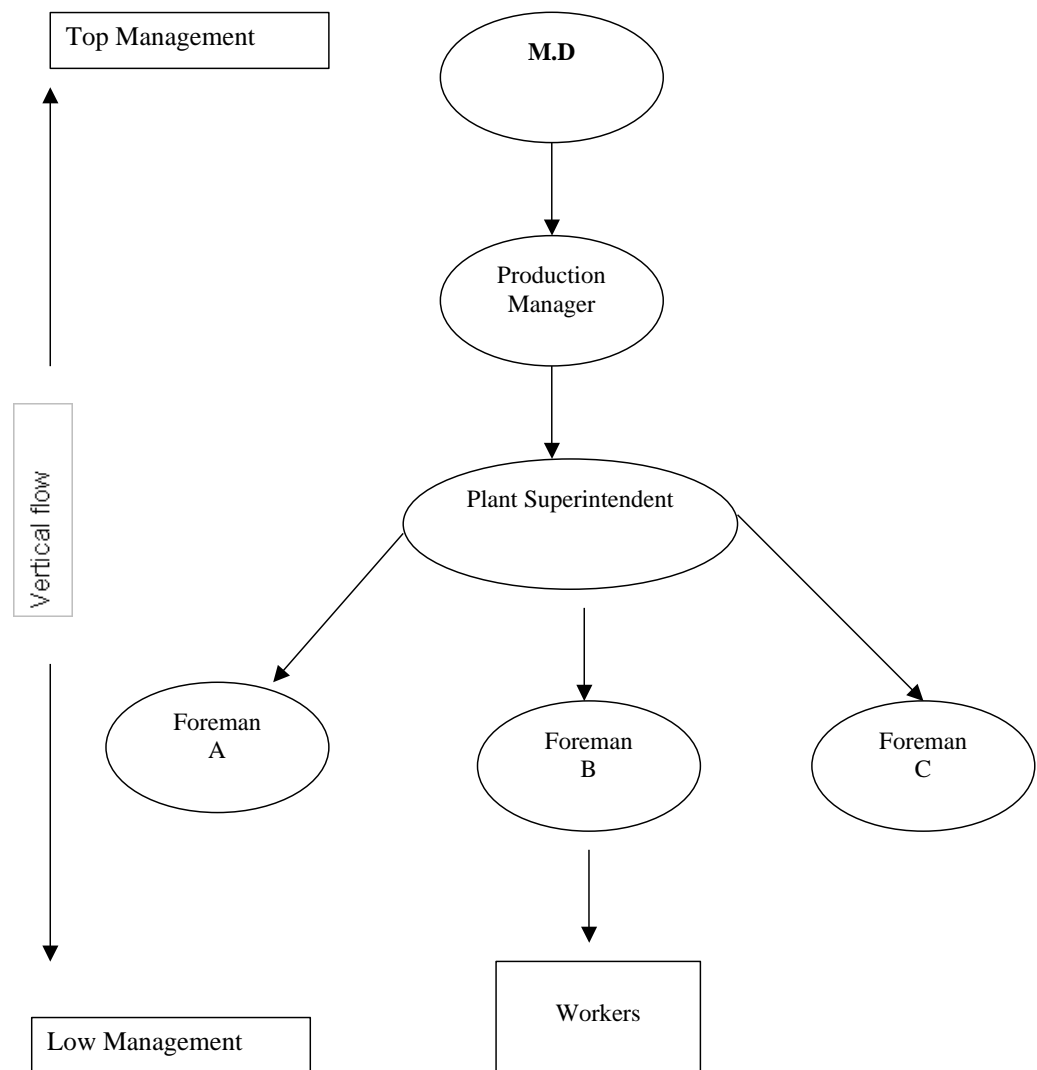
- (a) Authority flows from top to bottom.
- (b) Command is straight & unbroken. Subordinate receives orders from his immediate superior.
- (c) The authority & responsibility of each position is specified.

##### **Advantages :-**

1. It is simple & easy to understood by employees.
2. There is clear division of authority & responsibility.
3. There is unity of command & control from their superiors.
4. It is very economical because no staff specialists are required.
5. It ensures better discipline because each manager has direct & close contact with sub-ordinates.

##### **Demerits:-**

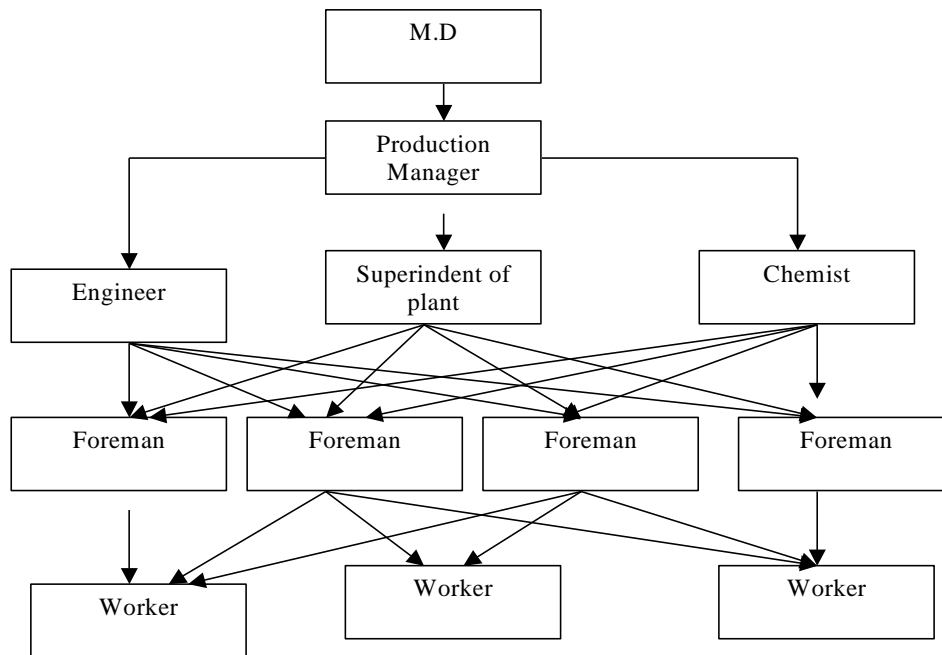
1. There is a lack of specialization. Because manager is responsible for both program & execution of work.
2. Executives are overburdened with administrative work.
3. It may result in autocratic control. Each manager has monopoly in D.M & he may not listen to sub-ordinates suggestions.
4. There is very little upward communication.
5. It results in instability because the success of organisation depends upon few competent managers.



### FUNCTIONAL ORGANISATION

A functional organisation is one where the work is organized on the basis of functions. Each function is managed by an expert. For Eg. Personnel Manager decides about salary, promotion, transfers for every employee in the organisation whether he may be employee of production, sales etc. ie. Every functional expert enjoys functional authority over sub-ordinates in other departments.

For eg. Each foreman in the factory receives orders from factory superintendent, chief engineer, chemist etc.



**Advantages :-**

**Advantages :-**

1. Every functional heads is an expert in his area & all workers get the benefit.
2. Every heads look after one function & Therefore burden of top executives is reduced.
3. Control becomes more effective.
4. Selection is very easy because each individual is required to have knowledge of one functional area only.
5. Standardisation & specialization is achieved which facilitates mass production.

**Disadvantages:**

1. It leads to complex relationship.
2. Subordinate is accountable for several superiors. Which results in confusion.
3. Delay in D.M.
4. Lack of Co.ordination.

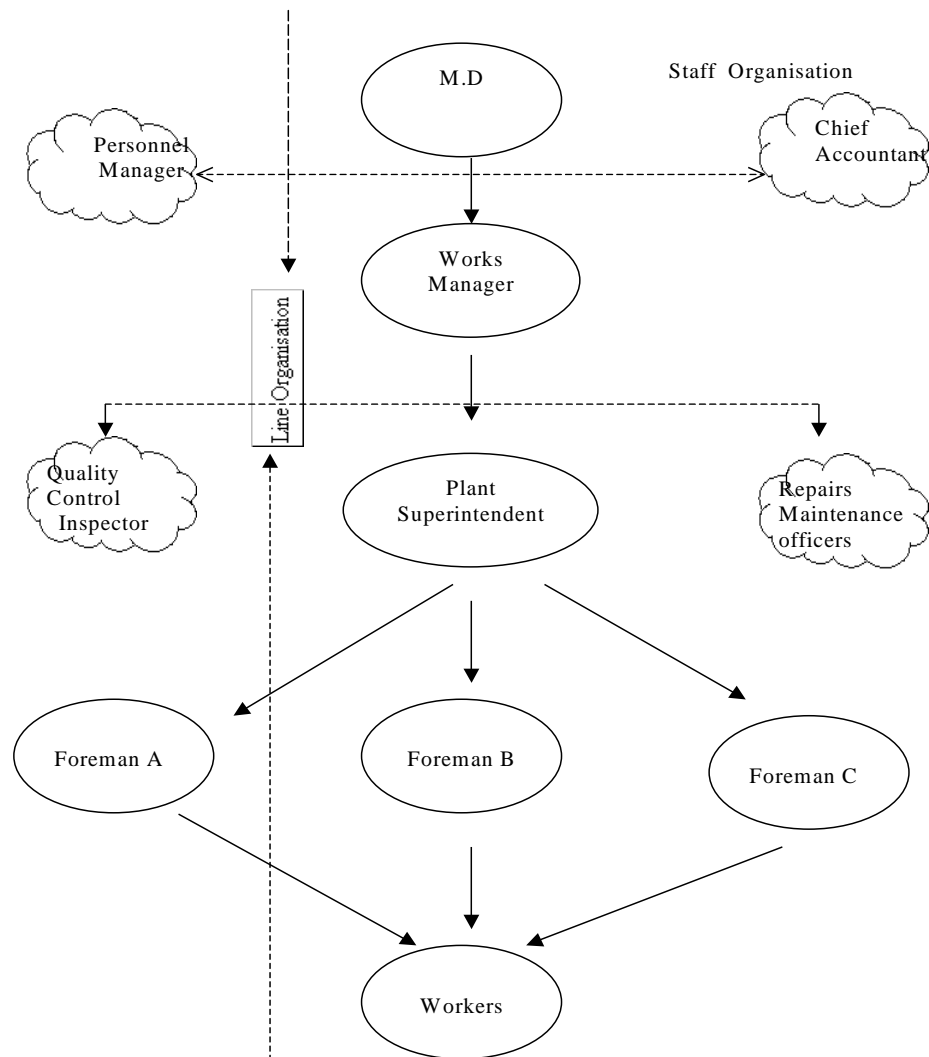
### **LINE & STAFF ORGANISATION**

It is combination of line & functional structures. Under it, line authority flows in a vertical line & staff specialist are attached to line positions, to advise them on important matters.

These specialists do not have power to command over subordinates in other departments. They are purely advisory nature.

Therefore staff positions are created to support the line managers.

For eg. chief accountant has commanding authority over accountants & clerks in a/c department. But he has advisory relationship with other department like production, sales etc.



**Advantages :-**

1. Line Managers receives specialized advice & assistance from staff experts.
2. Since staff carry out detailed investigation & supply information to line executives, burden of top management decreases.



3. Line managers can take better decision because they get adequate information & expert advice.
4. Young staff executives get opportunity of acquiring expertise in their respective fields
5. It adopts flexibility, as the organisation expands, staff members can be added to help the line manager.

**Disadvantages:-**

1. Mis understanding arises between line managers & staff specialists.
2. Staff personals are not accountable for the results. Therefore they may not take this responsibility properly.
3. It leads to confusion because clear authority relationship between line & staff are not explained properly.

**COMMITTEE ORGANISATION**

A committee is group of persons formed to discuss on problems & to recommend or decide solution.

Members of committee have authority to go into details of the problems. It is formed in all levels of organisation and its members may be drawn from various department.

**Advantages:-**

1. Group judgement is taken
2. Effective co-ordination is possible
3. Effective communication is adopted
4. Representation of diverse groups. It helps to avoid conflicts among groups & improves group interest.

**Disadvantages:-**

1. It is expensive ie salary for committee members, allowances etc expenses like printing & stationery etc.
2. The functioning of committee is slow & it cannot take quick decision.
3. Responsibility for wrong decision cannot be fixed on any one individual. Because every members in committee is responsible.

## **SPAN OF MANAGEMENT**

**(OR)**

## **SPAN OF CONTROL**

### **Introduction**

The term span of management is also known as "Span of control". It indicates the number of people directly managed effectively by a single person. Large number of subordinates cannot be supervised by single executive. There is a limit for the span of management.

### **Meaning:-**

It is number of people managed efficiently by a single officer in an organisation. In average firm executives can efficiently control 5-6 subordinates.

According to L. Urwick number of subordinates may be 4 in case of higher level management & 8 - 12 in case of lower level management.

### **Definition :-**

According to **Sir General Hamilton** stated that span of control is based to the degree of responsibility exercised by the group members.

### **FACTORS DETERMINING SPAN OF MANAGEMENT:-**

1. Nature of work
2. Type of technology
3. Ability of manager
4. Capacity of subordinates
5. Planning (Policies, Procedures)
6. Communication techniques
7. Time available for supervision
8. Dispersion of subordinates
9. Fixation of responsibility
10. Delegation of authority

## **DELEGATION OF AUTHORITY**

### **Meaning**

It is the process which enables the person to assign a work to other & delegate them with adequate authority to do it.

### **Definition**

- (i) "A process whereby a superior divides his total work assignment between himself & subordinate, in order to achieve management specialization".  
**- Hodge & Johnson**
- (ii) "Delegation consists of granting authority or the right to D.M in certain defined areas & charging the subordinate with responsibility for carrying through an assigned Task".  
**- Doucas C. Basil**

**Advantages :-**

1. Basis for effective functioning.
2. Saving the time of superior & allot more time for programming, organizing , staffing etc.
3. Reduction in managerial work load ie it relieves manager from attending minor duties.
4. Benefit of specialized service ie production is delegated to production manager, sales to market manager & legal matters to lawyers.
5. Efficient running branches of business at different places.
6. It gives job satisfaction to employee, it also motivates & promotes morale of an employee.

**Disadvantages**

1. Lack of uniformity in policy, procedures & D.M.
2. It becomes difficult to integrate the employee.
3. If lower level workers are inexperienced & untrained serious mistakes will be committed.

**PROCESS (OR) ELEMENTS OF DELEGATION**

It involves different steps which is as follows.

**1. Assignment of Duties :-**

The manager assign specific duties to each subordinates & defines it. He must ensure that the subordinate understand & accept their duties. It should be assigned according to their qualification & experience.

**2. Determination of result expected :-**

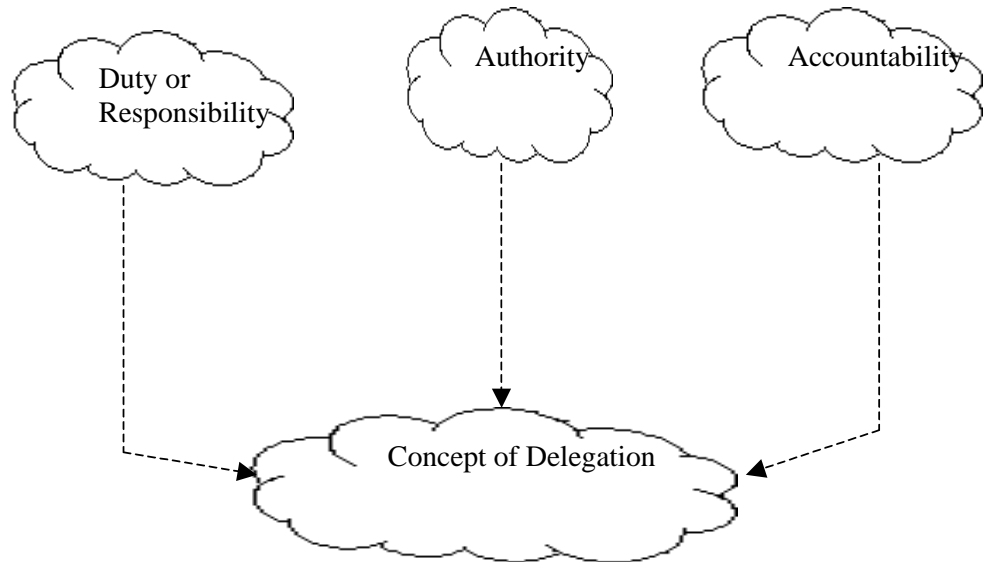
Then the manager has to define the result he wants to obtain from subordinate for achievement of organisation goal.

**3. Granting Authority:-**

Assignment of duties is meaningless unless adequate authority is given to subordinates. By granting certain authority subordinates are permitted to use resources, take decisions.

#### 4. Accountability:-

The subordinates to whom authority is delegated must be made answerable for the proper performance of duties. Each & every sub.ordinate is accountable to their superior.



#### PRINCIPLES OF DELEGATION

- (i) Defining the functions to be performed.
- (ii) Delegating authority according to their results are going to be achieved.
- (iii) Proper balance between authority & Responsibility.
- (iv) There should be unity of command ie. Subordinate should receive command from one boss.
- (v) Absoluteness of Responsibilities.
- (vi) Well defined limits of authority.

#### CENTRALISATION VS DECENTRALISATION

##### Centralisation :-

It is the concentration of authority at the top level of the organisation. Each & every decision is to be taken by top management. Which is not practicable.

According to Allen, "Centralization is the systematic & consistent reservation of authority at central points with an organisation".

##### Decentralisation :-

It is systematic delegation of authority throughout the organisation. There will be no control over sub.ordinate activities.

Therefore effective decentralization requires proper balance between dispersal of authority.

### **Advantages of Decentralisation :-**

#### **1. Relief to top executives**

Decentralisation helps to reduce the workload of top executives. They devote more time to important policy matters.

#### **2. Motivation to subordinates:-**

It improves job satisfaction & morale of lower level managers by satisfying their needs for independence, participation & status.

#### **3. Quick Decision:-**

The lower level managers have authority to make decisions, as a result, more accurate & faster decisions can be taken.

#### **4. Growth & Diversification:-**

It facilitates the growth & diversification. The top management can extend leadership by Decentralising.

#### **5. Effective communication:-**

Under Decentralisation span of management is wider & communication becomes effective ie superior & subordinate relationship can be developed.

#### **6. Effective supervision & control.**

Manager at lower level have adequate authority to make changes in work assignments, production schedule to recommend promotions & to take disciplinary actions.

Therefore control can be made effective by evaluating performance of each decentralized units.

### **Disadvantages of Decentralisation**

#### **1. Expensive :-**

It increases administrative expenses. Each department has trained personnel. It does not suit for small organisation.

#### **2. Difficulty in Co.ordination :-**

Under decentralisation, each department enjoys full authority. Therefore co.ordination among the departments becomes more difficult.

#### **3. Lack of Uniformity:-**

Each & every department follow different, procedure because each & every department formulate own policies & procedures.

#### **4. External constraints :-**

It is not possible due to external factors like market uncertainties, trade union movement, Government interventions etc.

#### **Advantages of Centralisation**

##### **1. Personal Leadership:-**

Centralisation provides opportunity for personal leadership . This results in quick decisions & actions which are essential for success in business.

##### **2. Uniformity of actions:-**

Only in centralization enterprise operate in same manner to do same thing. The top management have central authority for D.M & framing procedures.

##### **3. Flexibility :-**

It has greater flexibility in the utilization of existing personnel & facilitates proper handling in volume of work.

##### **4. Integration:-**

It follows uniform procedure, policies. It helps to keep all the parts of organisation moving towards common objective.

#### **DISADVANTAGES OF CENTRALIZATION**

##### **1. Problem in D.M:-**

Under centralization, most of the decisions are taken at higher levels, This may cause delays & cost in making decisions.

##### **2. Over burdening:-**

Centralisation of authority increases the burden on top managers.

##### **3. Lack of Executive Development:-**

Lower level executive get very little opportunity for D.M.

##### **4. Low Morale:-**

It hampers motivation & morale of employee. It is suitable for small organisation.



## **UNIT - V**

### **DIRECTING**

#### **Introduction :-**

After preparation of planning, organizing structure & recruitment of staffs, their function starts only when there is directing.

It means telling people what to do & how to do. Every superior influences subordinate.

#### **Definition:**

- (i) Unwick & Breach, "Directing is the guidance, the inspiration, the leadership of those men & women that constitute the real core of the responsibilities of management".
- (ii) Earnest Dole, "Direction is telling people what to do & seeing that they to the best of their ability. It includes making assignments, corresponding procedures, seeing that mistakes are corrected provided on - the - job instruction & of course, issuing orders.
- (iii) Haimann, "Directing consists of the process and techniques utilized in issuing instructions & making certain that operations are carried on as originally planned".

### **PRINCIPLES OF DIRECTION**

While giving direction manager should act according to people & situation. He should follow certain principles while giving direction.

#### **1. Harmony of objectives**

Employee has their own objectives organisation has its own objectives. Therefore management should coordinate the individual objective with organisational objective.

#### **2. Maximum Individual contribution**

Every Member's contribution is necessary for the organisation's development. Hence, the management should adopt a technique of directions.

#### **3. Unity of Direction or command**

An employee should receive order & instructions only from one superior. If not so, there may be in discipline & confusion among subordinates.

#### **4. Efficiency**

Subordinate are requested to participate in the decision-making process. This increases the efficiency of subordinates.



## **5. Direct Supervision**

Manager should have personal contact with subordinates. Face-to-face communication ensure successful direction.

## **6. Feedback Information**

Direction does not end with issuing orders & instruction to subordinates. sometime suggestions given by subordinate are also used for development of organisation.

## **7. Effective communication**

The superior must improve mutual understanding by way of communication. This avoid unnecessary tensions.

## **8. Effective control**

The manager should monitor the behaviour & performance of subordinates to have effective control over subordinates. This ensures effective direction.

## **9. Comprehension**

Communicating through orders & instruction is not enough. He should ensure the subordinates understood correctly or not. Therefore he should also explain clearly what to do? & How to do?

## **10. Principles of follow through**

Directing is a continuous process. After issuing orders & instructions, manager should follow whether subordinates are working properly & what kind of problem they are facing. And find solutions then & there.

### **Importance of Direction**

1. Direction initiates action.
2. Direction coordinates the group efforts.
3. Direction ensures maximum individual contribution.
4. It reduces burden of executives.
5. It provides stability & balance in the organisation.
6. Direction helps to achieve the objective of an organisation.

## **LEADERSHIP STYLES**

### **Leadership styles**

The success of a business unit depends upon the leadership styles followed by the leaders. Leadership styles describe how a leader has relationship with his group.

#### **1. Positive style**

A leader who motivates his follower to work hard by offering them rewards. A rule is framed in such a way that a reward will be ensured to those who show high efficiency. Positive leader promote industrial peace. For eg. Higher bonus will certainly increase the efficiency of workers.

#### **2. Negative style**

A leader forces his followers to work hard & penalizes them if the work is not up to the organisation standard. For eg. If the manager gives oosting order for continuous absence from duty for ten days even though the worker is absent due to unavoidable circumstances. It is a negative style.

### **Herzberg's Theory of needs**

In the late 1950's Fredrick Herzberg had conducted a study on motivation. The study has developed a theory of work motivation. This theory has broad implications for management in effective utilization of human resource. So this theory known as Herzberg motivation theory. It is otherwise called maintenance theory of motivation, Hygiene theory or two factor theory of motivation.

Herzberg tried to understand from his studies the motivation problem & to identify the human behaviour, nature & needs which are invaluable to organisation & individuals. In this study, he interviewed 200 engineer & accountants from 11 industries in Pitsburg area. He asked these persons to think of the time when they felt good & bad about their jobs & describe the conditions which caused such feelings.

The study revels that the factor for job satisfaction are quite different from those responsible for job - dissatisfaction. These two feelings were not observe of each other. If a factor is responsible for job satisfaction, the absence of such a factor would not mean dissatisfaction but it might be called as job satisfaction.

Similarly a factor is responsible for a job dissatisfaction. The absence of such factor would not mean job satisfaction, but it might be called no job - dissatisfaction.

## **Motivational factors**

The presence of some factors creates motivation to the workers & at the same time absence of such factors does not cause dissatisfaction. They are called motivation factors. Herzberg identified some motivational factors as (i)

Achievement advancement possibility of growth.

Recognition work itself responsibility

## **Maintenance factors**

The presence of some set of factors motivate the workers, but the absence of these factors caused serious dissatisfaction. In other words, the presence of these factors present dissatisfactions. Herzberg called these factors as maintenance of hygienic factors

In this study Herzberg, identified following factors as maintenance factors. They are (i) Company policy & administration. (ii) Technical supervision (iii) Inter personal relation with sub-ordinates (iv) salary (v) job securities (vi) personal life , working conditions, status, inter personal relations with supervisors & inter personal relations with peers.

Intrinsic factors are internal rewards which are available at the time of performance of work. So, the workers are directly motivated and they have self - motivation.

Extrinsic factors are external rewards which are available only after the performance of job. Retirement benefits, holiday pay, leave, insurance, etc., are some of the extrinsic factors. Here, the workers are motivated but not directly.

After Herzperg's research, organisational managers paid more attention on the intrinsic factors because often they produced good results. He came to a conclusion from his studies. The workers may be motivated.

1. If job is challenging
2. If there is a possibility of growth
3. If there is possibility of achievement
4. If the workers have enough authority and responsibility
5. If the workers receive recognition; and
6. If the workers are able to advance in the profession.

## MOTIVATION

### Meaning

It gives direction to human behaviour because they are directed towards certain goal. Thus performance of an employee depends upon level of motivation.

∴ Performance = ability X motivation

Performance

ie. \_\_\_\_\_ = Motivation

Ability

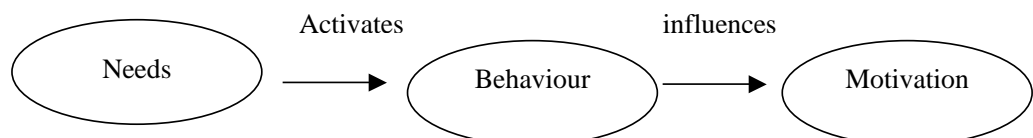
Thus manager must understand & satisfy their needs & aspiration by motivation.

### Definition

- (i) **Robert Dubin** has defined motivation as "something that moves the persons to action & continues him in the course of action already initiated".
- (ii) According to Scott, "Motivation means a process of stimulating people to action to accomplish desired goals".
- (iii) According to Beach  
"Motivation as a willingness to expend energy to achieve a goal or a reward".

### Nature of Motivation : (or) Characteristics

- (i) Motivation is a psychological concept.



- (ii) Motivation is total, not a piece - meal.  
Persons cannot be motivated partly they should fulfill as a whole.
- (iii) Motivation is continuous process.  
Human needs are infinite . ∴ Motivation also continuous process.
- (iv) Motivation causes goal - directed behaviour.
- (v) Motivation may be financial or non-financial.
- (vi) It is a complex process.

## Importance of motivation

All organisation facilities will remain useless unless people are motivated to utilize these facilities in productive manner.

### 1. Higher Efficiency

Motivation is effective instrument in hands of management to maximize efficiency of operations.

### 2. Optimum utilization of Resources

Only through motivation employee work whole - heartedly & apply their abilities & potential in minimizing waste & cost.

### 3. Reduction in labour turnover

Higher motivation leads to job satisfaction of workers. As a result labour absenteeism & turnover are low.

### 4. Better Industrial relations

Increased labour productivity in turn results in higher wages for employee. These results in mutual co.operation at all levels. This will result better relation.

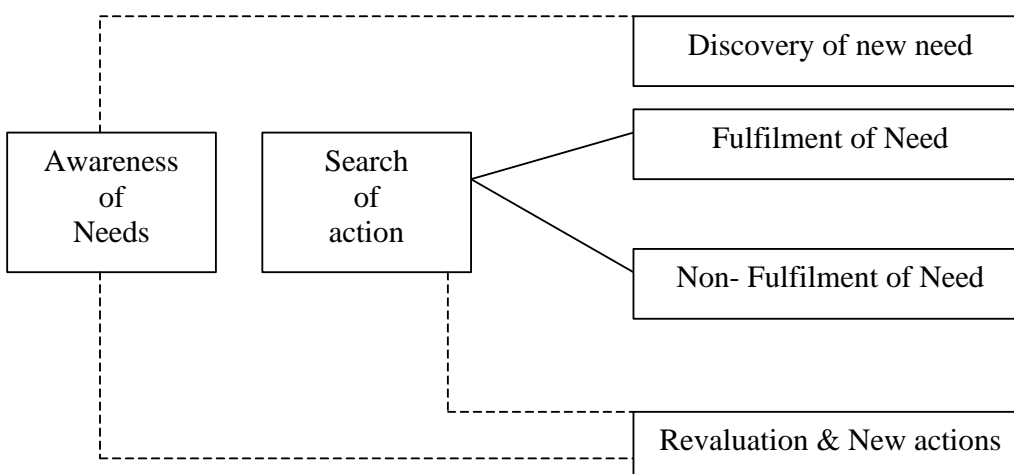
### 5. Easier selection

An enterprise that offers abundant financial & non - financial incentives enjoys reputation in the labour market. Therefore it can easily attract competent persons.

### 6. Facilitates change

High motivation helps to reduce resistance to change. An organisation has to incorporate changes to cope with environmental change. Properly motivated employee accept, introduce & implement these changes keeping the organisation effective.

## MOTIVATIONAL PROCESS



**(A) Awareness of Need :**

Need or motives of a person are the starting point in motivation process. Motivation are directed according to needs where behaviour of individual is determined.

**(B) Search of action :**

In order to satisfy his needs the individual looks for suitable action. He develop certain goals & makes an attempt to achieve them.

**(C) Fulfilment of Needs**

In case of individual is successful in his attempt, his need is satisfied & he feels motivated. If the attempt is unsuccessful the need remains unsatisfied & the individual engages himself, to search for new action.

**(D) Discovery of New Need**

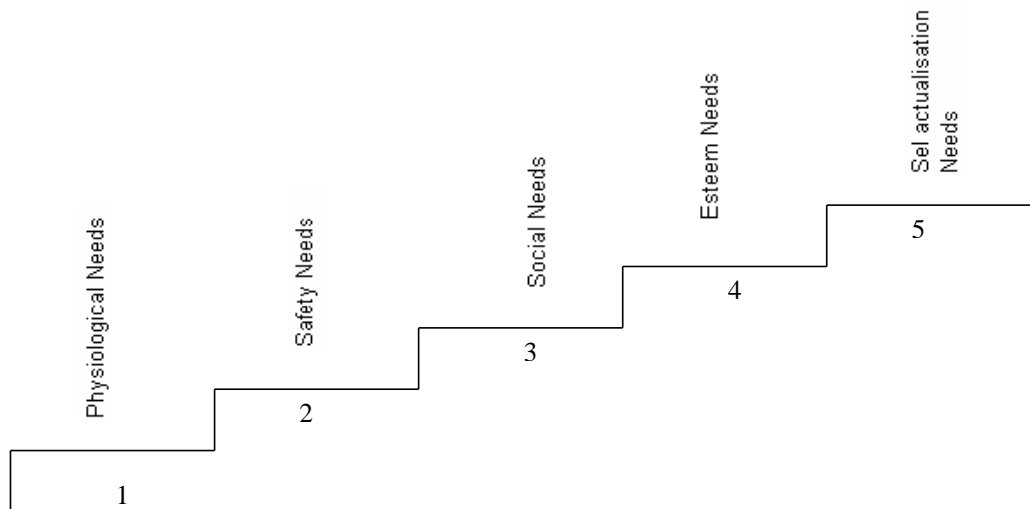
Once one need is fulfilled, some other need will emerge & the individual will set a new goal. This process continues to work within an individual because human needs are unlimited.

**THEORIES OF MOTIVATION**

**MASLOW'S NEED HIERARCHY THEORY**

Abraham H.Maslow developed this theory on the basis of human needs. His suggestion was that human behaviour is directed towards satisfaction of needs.

He classified all human needs into 5 categories as shown below.



**1. Physiological Needs**

These needs relate to survival & maintenance of human life. Therefore most primary needs must be satisfied such as air, water, food, clothing etc.

## **2. Safety (or) Security Needs**

Once physiological needs are satisfied to a reasonable level, safety emerges. Job security, provision for old age, insurance against risks etc. An organisation can satisfy these needs through pension plans, guarantee of job, medical scheme, insurance plan etc.

## **3. Social Needs**

Man is one of the member in society, he wants association, belonging , friendship, love & affection. People form group to acquire social needs.

## **4. Esteem (or) Ego needs**

These are concerned with self image recognition from others. This need consists of self - respect, power, prestige, achievement & status.

## **5. Self actualization needs**

This implies "the desire to become more & more of what one is to become everything that one is capable of becoming".

# **LEADERSHIP**

## **Introduction**

A leader is one who guides & directs other people. It is quality of behaviour of a person. In an organisation, wherever an individual has subordinates he may act as a leader.

## **Definition**

- (i) "Leadership is one who guides & directs other people. He must give effective direction & purpose". - **Allen**
- (ii) "Leadership is the activity of influencing people to strive willingly for mutual objective". - **George R.Terry**

## **Importance of Leadership**

1. It gives perfect organisation structure
2. Directing group activities.
3. Effective leadership helps to cope up according to technological, economic & social changes.
4. It is a source of motivation.
5. Leadership develops followers & promote self confidence.
6. Leadership is shared experience.
7. Leadership is function of stimulation
8. It is basis of co-operation.

## **TYPES OF LEADERSHIP**

### **1. Autocratic (or) Authoritarian Leadership**

It is a one man show. He gives orders & insist the followers to obey it. He takes all decisions himself. There is no freedom for the followers. There is no delegation of authority.

#### **Advantages**

- (a) This type permits quick decision as single person.
- (b) It provides strong motivation & satisfaction to the leader.
- (c) It is successful where sub.ordinates do not take initiative.

#### **Disadvantages**

- (a) It leads to low morale & job dis-satisfaction
- (b) Due to lack of opportunity to exercise initiative & judgement, future leadership does not develop.
- (c) Oftenly workers feel tensed & disturbed.

### **2. Participative (or) Democratic leadership**

This type of leader make decisions in consultation with his followers. He delegates authority. Sub-ordinates are allowed to discuss the problem & express their opinion freely.

#### **Advantages**

- (a) It gives job satisfaction to the employee
- (b) It increases co-operation between management & workers.
- (c) It facilitates development of future leaders.

#### **Disadvantages**

- (a) Delay in Decision making
- (b) Sub-ordinates should understand thoroughly problem of organisation, it will not be meaningful.



### **3. Free-Rein (or) Laissez - Faire Leadership.**

This type of leader gives complete freedom to his followers to establish their own goals & policies.

He maintain contact with outsiders to bring information & resources required by the group.

#### **Advantages**

- (a) It improves motivation & morale of sub-ordinates due to complete freedom.
- (b) Future leaders can be developed.

#### **Disadvantages :-**

- (a) Sub-ordinates take over advantage over superior & there is no control over them.



## UNIT - VI

### CONTROLLING

#### Meaning

The controlling function will be unnecessary to the management if other functions of management are performed properly. If there is any imperfection in the planning, control is needed. It is integral part of management process. It is comparison of actual result with plans & taking corrective actions.

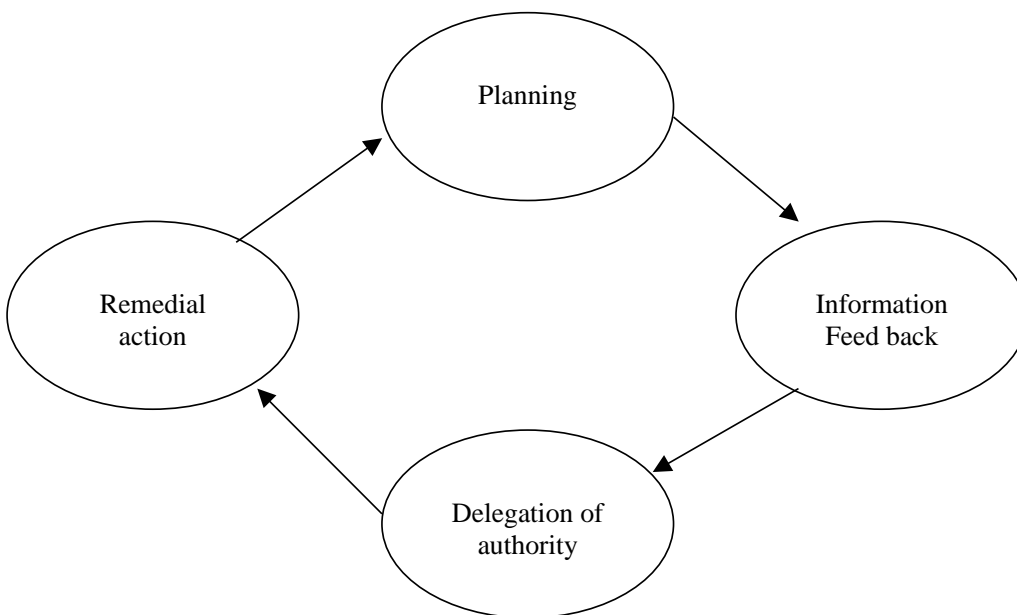
#### Definition

- (i) "The continuing process of measuring the actual results of the operations of an organisation in relation to the results which were planned". -

**BRECH**

- (ii) "The managerial functions of controlling is the measurement & correction of the performance of activities of sub-ordinates in order to make sure that enterprise objectives are being accomplished" - **Koontz & O'Donnell**

#### ELEMENTS OF CONTROL



#### I. Planning

Control is designed to achieve certain objectives. It involves setting objectives & standards. Therefore deviations can be founded & corrected. It sets target for measuring actual performance.

These planning is basis for control. It helps in turn, to ensure that plans are being implemented.

## **2. INFORMATION FEEDBACK**

Control involves comparison of actual performance with planned performance. This comparison is possible when adequate information at right time.

The manager should keep himself aware of the progress of work. Prompt & up to date information enables manager to know where & when deviations take place from planned course.

### **3. Delegation of Authority:-**

Control action can be taken only when adequate authority has been delegated to detect deviation & to correct them. In absence of authority, a manager cannot take effective steps for correcting deviations.

### **4. Remedial Actions**

There is not control until action is taken to rectify the mistakes & deviations. Corrective action may involve setting of new goals, change in organisation structure, Improvement in staffing & new techniques of directing.

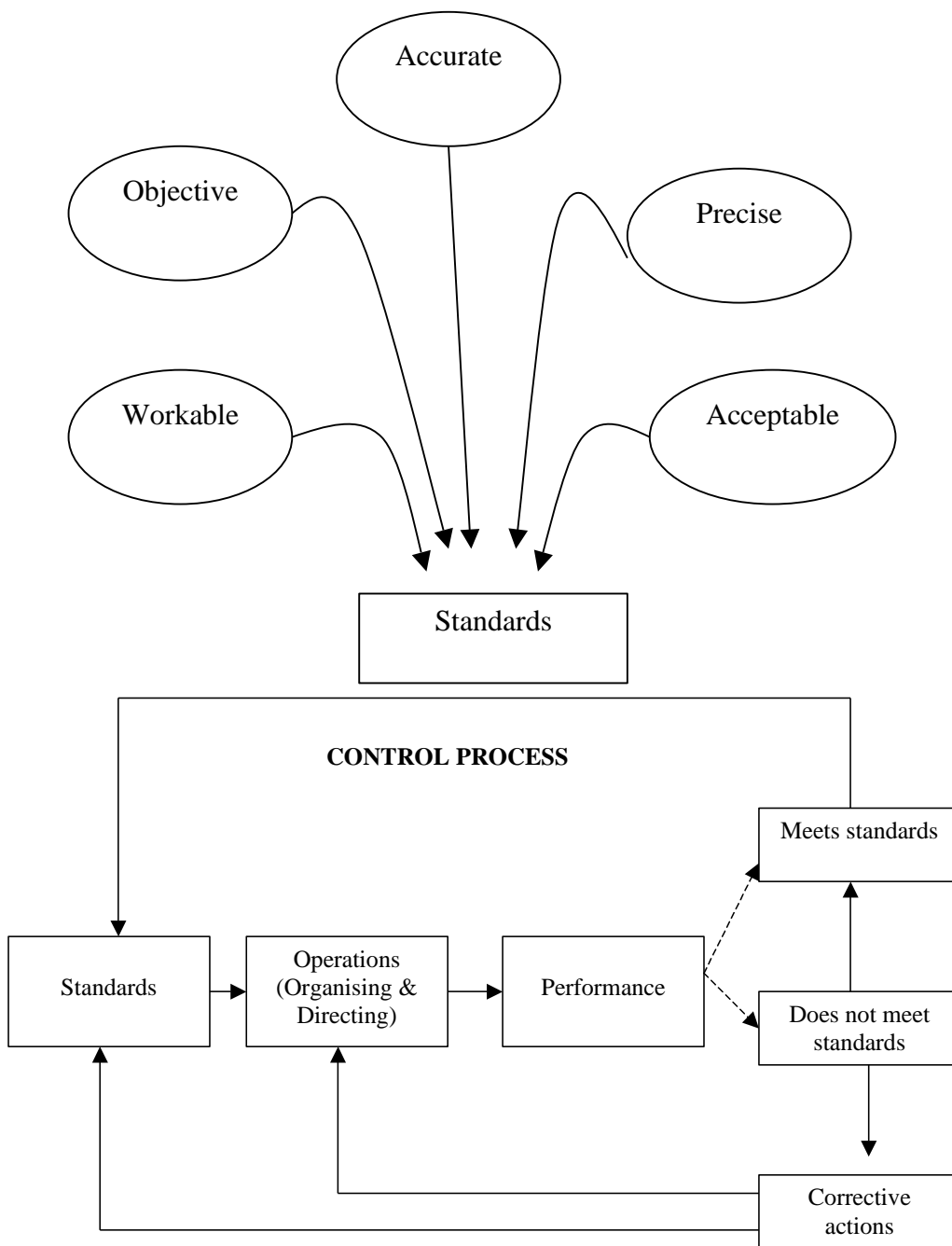
#### **Significance of Controlling**

1. A good control system provides timely information to management to take corrective actions.
2. It ensures achievement of objectives.
3. When manager delegates authority, he is responsible for the performance of work. Through control we can ensure that sub-ordinate are performing their task.
4. Control ensures that every individual in the organisation contributes to his maximum ability.
5. Effective control ensures efficiency & effectiveness in the organisation.
6. Control helps in achieving co-ordination which is the essence of management.

## **CONTROL PROCESS**

### **Step 1 : Fixation of standards**

First of all the standards of desired performance should be established. Different standards of performance are set up for various operations. Standards are fixed in terms of quantity, quality, time & cost indicates how performance is going .



### Step 2 : Measurement of Performance

After fixation of standards, the actual performance of various individual groups & departments is measured. Observing, inspecting & reporting on regular basis.

Measurement of performance against standards should be on a future basis. It should be clear, comparable & reliable.

### Step 3 : Comparing Performance with standards

The actual results are compared with standards to find out the extent of deviation if any when deviations are beyond the limit, an analysis is made to identify the cause of deviations. The control reports should contain figures that are comparable.

### Step 4 : Correction of Deviations

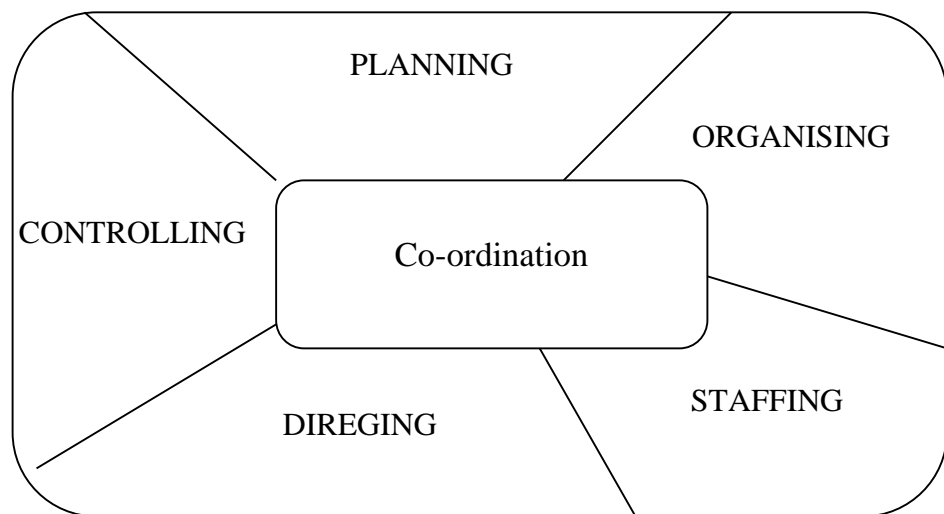
The final step in the control process involves taking corrective actions so that deviations may not occur again. After finding what has gone wrong, where & why management can take remedial actions.

Corrective actions involve review & revisions of goals or standards, changing in task, provisions for additional resources etc.

## CO-ORDINATING

### Introduction :-

It means group effort to ensure unity of action for achieving common objective. It becomes central task of the manager to reconcile efforts. Every function of organisation is co-ordination. For eg. Planning is not effective unless departmental plans are properly balanced & integrated. Organisation needs co.ordination for achieving objective.



### Definition

- (i) Money & Reiley, "Co-ordination is the orderly arrangement of group effort, to provide unity of action in the pursuit of common purpose.
- (ii) J.Lundy, "Co-ordination involves the development of unity of purpose & the harmonious implementation of plans for the achievement of desired goals.

## **NEED (OR) IMPORTANCE OF CO-ORDINATION**

### **1. Specialisation**

There is high degree of specialization in the modern industrial world. Specialist, are able to judge the nature, scope & kind of work to perform. This needs co-ordination.

### **2. Large no. of Employees**

Employee In organisation have different habits, behaviour & approaches. There is possibility of arising problem in complex organisation. Co-ordination is essential.

### **3. Unity of Direction**

The efforts, energies, skills of different employee is co-ordinated to achieve common objective. Therefore to have unity of direction, co-ordination is essential.

### **4. Differentiation & Integration**

The whole activity of every organisation is classified into 2 groups. ie. Authority & responsibility. It differs according to nature of work. Therefore co-ordination is needed between authority & responsibility.

